

**28 FEBRUARY 2014****ASX MARKET ANNOUNCEMENTS****Savcor results for year ended 31 December 2013**

- **2013 revenue of \$87.2 million**
- **2013 EBITDA of \$1.9 million excluding the impact of the investment in Cencorp Corporation**

**Industrial technology company Savcor Group Limited (ASX: SAV)** today reported a revenue of \$87.2 million for the full year to 31 December 2013 (2012: \$82.3 million), of which \$5.5 million was from continuing operations (2012: \$4.6 million).

Net loss after tax excluding the impact of the company's investment in Cencorp was \$8 million (2012: loss of \$9.5 million), of which \$7.4 million was from continuing operations (2012: profit of \$3.5 million). Net loss after tax including the impact of investment in Cencorp was \$12.8 million (2012: loss of \$14.5 million), of which \$12.2 million was from continuing operations (2012: loss of \$18 million).

The key losses for 2013 are attributable to a Cencorp value reduction of \$4.8 million, goodwill write off of \$1.3 million, development costs write off of \$0.5 million, tax losses derecognition of \$1.2 million and deferred tax asset from temporary differences write off of \$1.5 million.

Earnings before interest, tax, depreciation and amortisation (EBITDA) excluding the impact of investment in Cencorp was \$1.9 million (2012: \$2.5 million). EBITDA was a loss of \$1.8 million including the impact of investment in Cencorp (2012: loss of \$4 million).

Cash flow from operating activities was \$0.5 million (2012: \$0.3 million). Net interest-bearing liabilities as at 31 December 2013 were \$24.3 million (2012: \$25.3 million).

Savcor Group Limited operates mainly in the infrastructure, industrial and resource sectors. It operates principally in Australia, Papua New Guinea and New Zealand.

Areas of specialty include remedial engineering, corrosion prevention and mining industry services. The company also has a growing business in water and wastewater treatment.

# ANNOUNCEMENT

## **SALE OF THE BUSINESS**

The company has been burdened by high indebtedness disproportionate to revenue and work in hand for a considerable period of time. The board considered a number of options to reduce debt to a sustainable level providing the company with a secure and sustainable future.

These included a sale of individual assets, further strategic investment/capital injection and the sale of the entire business. The board subsequently decided that a partial or complete sale of the ART business would provide the best outcome for shareholders, employees and other stakeholders. TMT Partners was engaged to conduct the sale. Savcor's bank, ANZ Banking Group Limited, has been kept fully informed of the ongoing sale discussions and remains supportive of the company's strategy to reduce debt via the sale process.

Any decision to proceed will be made with the best interests of all of the company's shareholders and stakeholders in mind. Further information will be provided to the market in due course.

## **CENCORP**

Cencorp OYJ made a rights issue in February 2014, after the period of these accounts. As a consequence of this issue 508,151,045 new shares were issued. Savcor Group Limited did not participate in the rights issue. As a consequence of the issue, the shareholding of Savcor Group Limited has been diluted from a previous 38.5% of Cencorp to a present 15.6% according to the published list of principal shareholders of Cencorp.

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### **About Savcor Group Limited**

Savcor Group Limited (ASX: SAV) is a leading provider of advanced protection, rehabilitation and corrosion solutions to the infrastructure, manufacturing industry and resources sectors. Using world-class technology, Savcor specialises in the maintenance and protection of steel and concrete structures and assets.

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## APPENDIX 4E

# PRELIMINARY FINAL REPORT

### 1. Company details

Name of entity:	<b>Savcor Group Limited</b>
ABN:	52 127 734 196
Reporting period:	<b>Year ended 31 December 2013</b>
Previous corresponding period:	Year ended 31 December 2012

### 2. Results for announcement to the market

Revenues from ordinary activities	up	20.3%	to	\$ 5,497,000
Total revenue continuing and discontinuing operations	up	5.7%	to	\$ 87,228,000
Loss from ordinary activities after tax attributable to the owners of Savcor Group Limited	down	11.7%	to	\$(12,764,000)
Loss for the period attributable to the owners of Savcor Group Limited	down	11.7%	to	\$(12,764,000)

#### *Dividends*

There were no dividends paid, recommended or declared during the current financial period.

#### *Comments*

The loss for the consolidated entity after providing for income tax amounted to \$12,764,000 (31 December 2012: \$14,452,000).

Refer to market announcement dated 28 February 2014 for further commentary.

### 3. Net tangible assets

Net tangible assets per ordinary security	Reporting period (7.10) cents	Previous corresponding period (1.63) cents
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### 4. Control gained over entities

Name of entities (or group of entities) Not applicable.

Date control gained

Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities before income tax during the period (where material)

\$ -

Profit/(loss) from ordinary activities before income tax of the controlled entity (or group of entities) for the whole of the previous corresponding period (where material)

\$ -

## 5. Loss of control over entities

Name of entities (or group of entities)	Not applicable.	
Date control lost		
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities after income tax during the period (where material)		\$ -
Profit/(loss) from ordinary activities after income tax of the controlled entity (or group of entities) whilst controlled during the whole of the previous corresponding period (where material)		\$ -

## 6. Dividends

### *Current period*

There were no dividends paid, recommended or declared during the current financial period.

### *Previous corresponding period*

There were no dividends paid, recommended or declared during the previous financial period.

## 7. Dividend reinvestment plans

*The following dividend or distribution plans are in operation:*

Not applicable.

The last date(s) for receipt of election notices for the dividend or distribution plans: Not applicable.

## 8. Details of associates and joint venture entities

Name of associate / joint venture	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
	Current period	Previous corresponding period	Current period	Previous corresponding period
Cencorp Corporation	38.50%	39.00%	\$(3,725,000)	\$(6,458,000)
Savcor-Contech Joint Venture Limited	50.00%	50.00%	\$ 3,000	\$ -
VEC-Savcor Joint Venture	50.00%	0.00%	\$ 217,000	
<i>Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)</i>				
Profit/(loss) from ordinary activities before income tax			\$(3,505,000)	\$(6,458,000)
Income tax on operating activities			\$ -	\$ -

**9. Foreign entities**

*Details of origin of accounting standards used in compiling the report:*

Not applicable.

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**10. Audit qualification or review**

*Details of audit/review dispute or qualification (if any):*

The Annual Report is currently being audited and a modified opinion relating to going concern is expected to be issued.

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**11. Attachments**

*Details of attachments (if any):*

The Preliminary Final Financial Statements of Savcor Group Limited for the year ended 31 December 2013 is attached.

# **Savcor Group Limited**

**ABN 52 127 734 196**

**Preliminary Final Financial Statements - 31 December  
2013**

**Savcor Group Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 31 December 2013**



	Note	Consolidated 2013 \$'000	2012 \$'000
<b>Revenue from continuing operations</b>	2	5,497	4,568
Share of losses of associate accounted for using the equity method	3	(4,803)	(4,956)
Other income		164	391
<b>Expenses</b>			
Cost of sales		(3,687)	(3,208)
Research and development expenses		(758)	(1,251)
Sales and marketing expenses		(1,295)	(1,598)
Administration expenses		(2,882)	(5,564)
Other expenses		(84)	(503)
Finance costs		(3,491)	(2,758)
<b>Loss before income tax expense from continuing operations</b>		(11,339)	(14,879)
Income tax expense		(904)	(3,075)
Loss after income tax expense from continuing operations		(12,243)	(17,954)
Profit/(loss) after income tax expense from discontinued operations	4	(521)	3,502
<b>Loss after income tax expense for the year attributable to the owners of Savcor Group Limited</b>		(12,764)	(14,452)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		3,087	(151)
Other comprehensive income for the year, net of tax		3,087	(151)
<b>Total comprehensive income for the year</b>		(9,677)	(14,603)
Total comprehensive income for the year is attributable to:			
Continuing operations		(9,156)	(18,105)
Discontinued operations		(521)	3,502
		(9,677)	(14,603)

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

**Savcor Group Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 31 December 2013**



	Note	Consolidated	
		2013 \$'000	2012 \$'000
		Cents	Cents
<b>Earnings per share from continuing operations attributable to the owners of Savcor Group Limited</b>			
Basic earnings per share	12	(8.69)	(12.74)
Diluted earnings per share	12	(8.69)	(12.74)
<b>Earnings per share from discontinued operations attributable to the owners of Savcor Group Limited</b>			
Basic earnings per share	12	(0.37)	2.48
Diluted earnings per share	12	(0.37)	2.48
<b>Earnings per share for loss attributable to the owners of Savcor Group Limited</b>			
Basic earnings per share	12	(9.06)	(10.25)
Diluted earnings per share	12	(9.06)	(10.25)

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*



**Savcor Group Limited**  
**Statement of financial position**  
**As at 31 December 2013**



		<b>Consolidated</b>	
	<b>Note</b>	<b>2013</b>	<b>2012</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	244	1,323
Trade and other receivables		7,106	20,952
Inventories		368	1,913
Income tax refund due		62	44
		<u>7,780</u>	<u>24,232</u>
Assets of disposal groups classified as held for sale	6	15,914	-
Total current assets		<u>23,694</u>	<u>24,232</u>
<b>Non-current assets</b>			
Receivables		594	1,852
Investments accounted for using the equity method	7	6,168	8,481
Property, plant and equipment		100	2,655
Intangibles		358	2,331
Deferred tax		20	1,506
Total non-current assets		<u>7,240</u>	<u>16,825</u>
<b>Total assets</b>		<u>30,934</u>	<u>41,057</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		3,186	12,126
Borrowings	8	25,521	26,370
Income tax		2	1
Provisions		314	2,228
		<u>29,023</u>	<u>40,725</u>
Liabilities directly associated with assets classified as held for sale	9	11,365	-
Total current liabilities		<u>40,388</u>	<u>40,725</u>
<b>Non-current liabilities</b>			
Borrowings		163	210
Provisions		27	95
Total non-current liabilities		<u>190</u>	<u>305</u>
<b>Total liabilities</b>		<u>40,578</u>	<u>41,030</u>
<b>Net assets/(liabilities)</b>		<u>(9,644)</u>	<u>27</u>
<b>Equity</b>			
Issued capital		273,584	273,584
Reserves		(255,363)	(258,456)
Accumulated losses		(27,865)	(15,101)
<b>Total equity/(deficiency)</b>		<u>(9,644)</u>	<u>27</u>

*The above statement of financial position should be read in conjunction with the accompanying notes*

**Savcor Group Limited**  
**Statement of changes in equity**  
**For the year ended 31 December 2013**



	<b>Issued capital \$'000</b>	<b>Reserves \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Total equity \$'000</b>
<b>Consolidated</b>				
Balance at 1 January 2012	273,584	(258,322)	(649)	14,613
Loss after income tax expense for the year	-	-	(14,452)	(14,452)
Other comprehensive income for the year, net of tax	-	(151)	-	(151)
Total comprehensive income for the year	-	(151)	(14,452)	(14,603)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	17	-	17
Balance at 31 December 2012	<u>273,584</u>	<u>(258,456)</u>	<u>(15,101)</u>	<u>27</u>
	<b>Issued capital \$'000</b>	<b>Reserves \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Total deficiency \$'000</b>
<b>Consolidated</b>				
Balance at 1 January 2013	273,584	(258,456)	(15,101)	27
Loss after income tax expense for the year	-	-	(12,764)	(12,764)
Other comprehensive income for the year, net of tax	-	3,087	-	3,087
Total comprehensive income for the year	-	3,087	(12,764)	(9,677)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	6	-	6
Balance at 31 December 2013	<u>273,584</u>	<u>(255,363)</u>	<u>(27,865)</u>	<u>(9,644)</u>

*The above statement of changes in equity should be read in conjunction with the accompanying notes*

**Savcor Group Limited**  
**Statement of cash flows**  
**For the year ended 31 December 2013**



Note	Consolidated	
	2013 \$'000	2012 \$'000
<b>Cash flows from operating activities</b>		
	99,130	87,466
	(95,482)	(84,358)
	11	-
	126	97
	(3,303)	(3,289)
	19	360
	<u>501</u>	<u>276</u>
<b>Cash flows from investing activities</b>		
	(296)	(627)
	223	185
	500	97
	<u>427</u>	<u>(345)</u>
<b>Cash flows from financing activities</b>		
	11,215	23,350
	(17,653)	(22,365)
	(29)	(7)
	<u>(6,467)</u>	<u>978</u>
	(5,539)	909
	918	(84)
	(155)	93
	<u>(4,776)</u>	<u>918</u>
5	<u>(4,776)</u>	<u>918</u>

*The above statement of cash flows should be read in conjunction with the accompanying notes*

**Note 1. Going concern**

The directors have prepared the financial statements on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business. The consolidated entity had an excess of current liabilities over current assets as at 31 December 2013 of \$16,694,000 (2012: \$16,493,000) and recorded a loss after tax of \$12,764,000 (2012: \$14,452,000) for the year ended 31 December 2013.

On 29 August 2013, the consolidated entity signed an updated facility agreement with the Australia and New Zealand Banking Group Limited ('ANZ') which included a condition requiring a reduction of debt of \$10,000,000 by 1 November 2013. This requirement was extended to 31 January 2014 and again to 31 March 2014.

TMT Partners have been appointed by the board to assist the consolidated entity to investigate various options to meet the above mentioned requirement, including the potential sale of shares in Cencorp Corporation, potential sale of parts of the operating companies and potentially raising capital from a major shareholder/strategic partner.

On 1 November 2013, the consolidated entity announced that it had entered into an indicative Heads of Agreement with a strategic partner in relation to its Advanced Rehabilitation Technology ('ART') services business. The agreement includes a partial or complete sale of the ART business. Accordingly, this business has been classified as a discontinued operation in the financial statements.

The directors consider the going concern basis to be appropriate on the basis of the progress being made to date aimed at securing sufficient funds to meet the requirement to pay down the ANZ debt.

However, should the consolidated entity's above mentioned strategies aimed at securing sufficient funds to achieve the required debt reduction be unsuccessful, there is significant uncertainty whether the consolidated entity would continue as a going concern and therefore whether it would realise its assets and extinguish liabilities in the normal course of business and at amounts stated in the financial statements.

The financial statements do not include any adjustment relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as going concern.

**Note 2. Revenue**

	<b>Consolidated</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>From continuing operations</b>		
<i>Sales revenue</i>		
Rendering of services	5,242	4,323
<i>Other revenue</i>		
Interest	255	245
Revenue from continuing operations	5,497	4,568

**Note 3. Share of losses of associate accounted for using the equity method**

	<b>Consolidated</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Share of loss of associate	(3,725)	(6,458)
Impairment gain/(loss) of associate	(1,078)	1,502
	<u>(4,803)</u>	<u>1,502</u>
Share of losses of associate accounted for using the equity method	<u>(4,803)</u>	<u>(4,956)</u>

**Note 4. Discontinued operations**

*Description*

On 1 November 2013, the consolidated entity announced that it had entered into an indicative Heads of Agreement with a strategic partner in relation to its Advanced Rehabilitation Technology ('ART') services business including the consolidated entity's 50% share of the VEC-Savcor Joint Venture. The agreement includes a partial or complete sale of the ART business. Accordingly, this business has been classified as a discontinued operation in the financial statements.

*Financial performance information*

	<b>Consolidated</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Revenue	81,731	77,944
Other income	210	195
Share of profit in associates	220	-
Total revenue	<u>82,161</u>	<u>78,139</u>
Cost of sales	(67,030)	(61,559)
Research and development expenses	(541)	(658)
Sales and marketing expenses	(2,441)	(2,047)
Administration expenses	(9,554)	(9,972)
Other expenses	(389)	(88)
Finance costs	(49)	(61)
Total expenses	<u>(80,004)</u>	<u>(74,385)</u>
Profit before income tax expense	2,157	3,754
Income tax expense	(2,678)	(252)
Profit/(loss) after income tax expense from discontinued operations	<u>(521)</u>	<u>3,502</u>

**Note 5. Current assets - cash and cash equivalents**

	<b>Consolidated</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash at bank and in hand	244	1,323
<i>Reconciliation to cash and cash equivalents at the end of the financial year</i>		
The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:		
Balances as above	244	1,323
Cash and cash equivalents - classified as held for sale (note 6)	1,136	-
Bank overdraft (note 8)	(6,156)	(405)
Balance as per statement of cash flows	(4,776)	918

**Note 6. Current assets - assets of disposal groups classified as held for sale**

	<b>Consolidated</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash and cash equivalents	1,136	-
Trade and other receivables	10,714	-
Inventories	1,784	-
Prepayments	374	-
Investments accounted for using the equity method	217	-
Property, plant and equipment	1,651	-
Intangibles	10	-
Deferred tax asset	28	-
	15,914	-

**Note 7. Non-current assets - investments accounted for using the equity method**

	<b>Consolidated</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Investment in associate (Cencorp Corporation)	6,168	8,473
Investment in joint venture (Savcor-Contech JV Limited)	-	8
	6,168	8,481

**Note 8. Current liabilities - borrowings**

	<b>Consolidated</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Bank overdraft	6,156	405
Bank loans	19,341	25,613
Insurance premium loans - unsecured	-	344
Lease liability	24	8
	<u>25,521</u>	<u>26,370</u>

The consolidated entity was in breach of its banking covenants during the year, as conditions specified within a waiver letter provided by ANZ on 27 March 2013 regarding obtaining alternative financing were not met.

On 29 August 2013, the consolidated entity signed a new updated facility agreement which comprise of floating rate amortising and interchangeable cash advance facilities of \$26,700,000, bank guarantee facilities of \$4,900,000 and transactional banking facilities. The facilities terminate on 1 September 2014 and are secured by a fixed and floating charge over the assets and undertakings of the borrowers Savcor Group Limited and its subsidiaries. The new facility required a debt reduction of \$10,000,000 by 1 November 2013. This requirement was extended to 31 January 2014 and again to 31 March 2014.

As of the reporting date, the consolidated entity was in breach of its bank covenants under the new updated facility agreement pertaining to specific financial ratios. ANZ has provided a waiver on 25 February 2014.

**Note 9. Current liabilities - liabilities directly associated with assets classified as held for sale**

	<b>Consolidated</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade payables	5,097	-
Employees benefits	1,489	-
Other payables	4,418	-
Accrued expenses	361	-
	<u>11,365</u>	<u>-</u>

**Note 10. Equity - dividends**

There were no dividends paid, recommended or declared during the current or previous financial year.

**Note 11. Contingent liabilities**

The consolidated entity has given bank guarantees as at 31 December 2013 of \$2,157,000 (2012: \$1,717,000) in favour of certain customers in support of agreed project deliverables and warranties. Additionally, the consolidated entity has \$389,000 (2012: \$386,000) of bank guarantees in respect of the leases over premises in Australia and provided letters of credit for \$686,000 (2012: \$830,000) to guarantee the overdraft facility in India.

**Note 12. Earnings per share**

	<b>Consolidated</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Earnings per share from continuing operations</i>		
Loss after income tax attributable to the owners of Savcor Group Limited	<u>(12,243)</u>	<u>(17,954)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>140,928,943</u>	<u>140,928,943</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>140,928,943</u>	<u>140,928,943</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(8.69)	(12.74)
Diluted earnings per share	(8.69)	(12.74)
<i>Earnings per share from discontinued operations</i>		
Profit/(loss) after income tax attributable to the owners of Savcor Group Limited	<u>(521)</u>	<u>3,502</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>140,928,943</u>	<u>140,928,943</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>140,928,943</u>	<u>140,928,943</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(0.37)	2.48
Diluted earnings per share	(0.37)	2.48



Note 12. Earnings per share (continued)

	<b>Consolidated</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Earnings per share for loss</i>		
Loss after income tax attributable to the owners of Savcor Group Limited	<u>(12,764)</u>	<u>(14,452)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>140,928,943</u>	<u>140,928,943</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>140,928,943</u>	<u>140,928,943</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(9.06)	(10.25)
Diluted earnings per share	(9.06)	(10.25)