VERTICON GROUP LIMITED

ABN 53 111 398 040

Interim Financial Report

31 December 2008

Verticon Group Limited

ABN 53 111 398 040

Interim financial report - 31 December 2008

Contents

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2008 and any public announcements made by Verticon Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Verticon Group Limited
Directors' Report

Your directors present their report on the consolidated entity consisting of Verticon Group Limited and the entities it controlled at the end of, or during, the half year ended 31 December 2008.

Directors

The following persons were directors of Verticon Group Limited during the whole of the half year and up to the date of this report:

Noel Henderson	Chairman (Non Executive)
Andrew Torrington	Director (Executive)
David Wieland	Director (Non Executive)
David Goldberger	Director (Non Executive)
Sam Fink	Director (Non Executive)

Review of operations

Verticon Group Limited recorded a loss of $3.61m after tax on turnover of $22.99m. The profitability of the Group improved in the half-year to 31 December 2008 due to reduced operating expenses compared to the prior year, stable revenues and no further impairment charges. The results of the New Zealand based business were reported as discontinued.

Auditors' independence

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 3.

Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

This report is made in accordance with a resolution of directors.

Noel Henderson
Chairman

Andrew Torrington
Managing Director

Signed at Melbourne,

Dated this 24th day of February 2009.

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Auditor's Independence Declaration

As lead auditor for the review of Verticon Group Limited for the half year ended 31 December 2008, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Verticon Group Limited and the entities it controlled during the period.

Chris Dodd
Partner
PricewaterhouseCoopers

Melbourne
24 February 2009

Verticon Group Limited

Consolidated Income statement

For the half-year ended 31 December 2008

	Notes	Half Year 2008 $'000	2007 $'000
Revenue from continuing operations		**22,993**	22,692
Other income		**294**	(16)
Employee benefits expense		**(14,557)**	(14,149)
Impairment of goodwill	4	**-**	(6,249)
Impairment of assets	4	**-**	(17,464)
Depreciation and amortisation expense		**(1,313)**	(2,639)
Finance costs		**(2,249)**	(1,848)
Subcontractors		**(1,429)**	(438)
Equipment hire and consumables used		**(1,126)**	(1,875)
Transport and travel expenses		**(956)**	(1,223)
Consultants (including legal and accounting)		**(388)**	(127)
Bad and doubtful debts		**(93)**	(462)
Insurance		**(254)**	(361)
Rental expenses		**(1,721)**	(683)
Other expenses from ordinary activities		**(2,810)**	(3,320)
Profit/(Loss) before income tax		**(3,609)**	(28,162)
Income tax expense		**-**	(5,410)
Profit/(Loss) from continuing operations		**(3,609)**	(33,572)
Profit/(Loss) from discontinued operations		**-**	(11,674)
Profit/(Loss) attributable to members of Verticon Group Limited		**(3,609)**	**(45,246)**
		Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:			
Basic earnings per share		**(3.3)**	(30.8)
Diluted earnings per share		**(3.3)**	(30.8)
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share		**(3.3)**	(41.5)
Diluted earnings per share		**(3.3)**	(41.5)

The above consolidated income statement should be read in conjunction with the accompanying notes.

Verticon Group Limited

Consolidated Balance sheet

As at 31 December 2008

	31 December 2008 $'000	30 June 2008 $'000
ASSETS		
Current Assets		
Cash and cash equivalents	**47**	63
Trade and other receivables	**8,816**	10,343
Inventories	**373**	-
Total current assets	**9,236**	10,406
Non-current Assets		
Property, plant and equipment	**21,601**	22,284
Total non-current assets	**21,601**	22,284
Total assets	**30,837**	32,690
LIABILITIES		
Current liabilities		
Trade and other payables	**3,875**	4,503
Borrowings	**41,820**	39,901
Provisions	**939**	1,095
Total current liabilities	**46,634**	45,499
Non-current liabilities		
Other financial liabilities	**505**	-
Provisions	**148**	141
Total non-current liabilities	**653**	141
Total liabilities	**47,287**	45,640
Net liabilities	**(16,450)**	(12,950)
EQUITY		
Contributed equity	**52,886**	52,886
Reserves	**109**	-
Retained earnings/(loss)	**(69,445)**	(65,836)
Total equity	**(16,450)**	(12,950)

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Verticon Group Limited

Consolidated statement of changes in equity

For the half-year ended 31 December 2008

	Notes	Half Year 2008 $'000	Half Year 2007 $'000
Total equity at the beginning of the half-year		**(12,950)**	42,785
Exchange differences on translation of foreign operations		**109**	(582)
Net (loss)/income recognised directly in equity		**109**	(582)
Profit/(loss) for the half-year		**(3,609)**	(45,246)
Total recognised income and expense for the half-year		**(3,500)**	(45,828)
Total equity at the end of the half-year		**(16,450)**	(3,043)
Total recognised income and expense for the half-year is attributable to:			
Members of Verticon Group Limited		**(3,500)**	(45,828)

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

Verticon Group Limited
Consolidated Cash flow statement
For the half-year ended 31 December 2008

	Half-year 2008 $'000	2007 $'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	**26,577**	32,835
Payments to suppliers and employees (inclusive of goods and services tax)	**(25,905)**	(25,791)
	672	7,044
Interest paid	**(704)**	(3,246)
Net cash inflow/(outflow) from operating activities	**(32)**	3,798
Cash flows from investing activities		
Payments for property, plant and equipment	**(855)**	(2,927)
Proceeds from sale of property, plant and equipment	**496**	13,479
Net cash inflow/(outflow) from investing activities	**(359)**	10,552
Cash flows from financing activities		
Proceeds from borrowings	**-**	857
Repayment of borrowings	**(175)**	(12,895)
Net cash (outflow)/inflow from financing activities	**(175)**	(12,038)
Net increase/(decrease) in cash and cash equivalents	**(566)**	2,312
Cash and cash equivalents at the beginning of the half-year	**(2,970)**	(5,732)
Cash and cash equivalents at end of the half-year	**(3,536)**	(3,420)

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

Verticon Group Limited

Notes to the financial statements

31 December 2008

1. Summary of Significant Accounting Policies

(a) Basis of preparation of half-year report

This general purpose financial report for the interim half-year reporting period ended 31 December 2008 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2008 and any public announcements made by Verticon Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

(b) Going concern

As at 31 December 2008 the Group has a working capital deficiency and negative net assets and has also experienced an operating loss and negative operating cash flow for the half year ending on that date.

These factors represent uncertainties surrounding the ability of the Group to continue as a going concern. The Directors' have considered these factors and believe it is appropriate to prepare the financial statements on a going concern basis given the following strategies:

Operational strategies

Management has completed a number of strategies to improve the financial performance of the Group since the last reporting date including a continued rationalisation of the hireable fleet and a reduction in the operating costs of the Group.

In addition, management is continuing to implement a number of actions over the coming six months in order to improve the financial position and cashflow of the Group. These include the following:

a) continued review of fleet including disposing of under performing and non-hireable assets
b) reducing yard and workshop expenditure relative to the size of the fleet
c) continued reduction of erection and dismantle costs including back to back arrangements with its customers
d) reduction of overheads and focus on minimising discretionary spending, and
e) exploit Verticon's points of difference in the market and extract higher margin rentals from clients

The above actions will improve the operational performance of the business and are anticipated to result in a positive operating result (before interest and depreciation) for the year to 30 June 2009.

1. Summary of Significant Accounting Policies (continued)

(b) Going concern (continued)

Business strategies

In August 2008 Verticon Developments No.1 Pty Ltd, a 100% owned subsidiary of Verticon Group Limited, entered into a binding heads of agreement with a party related to the Directors for the acquisition of land and/or development rights for a property development. In February 2009 Verticon Developments No. 1 Pty Ltd executed a deed of variation to the heads of agreement to provide consultancy services in relation to the development which is still expected to generate considerable income and cash flow on completion in the 2009/2010 financial year or earlier.

The heads of agreement remains subject to following conditions precedent:
- Verticon shareholder approval if required
- approval if required by ASIC and/or the ASX
- approval by Westpac

This strategy is anticipated to result in a significant reduction in the level of debt of the Group in the 2009/2010 financial year or earlier.

Financing strategies

Westpac will continue to provide the existing facilities of $40.2 million to the Group until 1 July 2010. Westpac has agreed to provide a combination of interest forgiveness and interest capitalisation until 30 June 2010 by which time the Group is expected to have generated income from the first property development. The interest rate applicable from 1 July 2009 has been re-priced by Westpac and an extension and restructure fee will also be charged to the Group.

Westpac has agreed to no formal repayment schedule for the facilities principal in anticipation of the income being generated by the first property development. Any development income will largely be used to repay the facilities owing to Westpac, with a small amount to be retained by the Group for working capital purposes.

The provision of ongoing facilities by Westpac is also subject to the following:
- the Group meeting its EBITDA target for 2008/2009
- agreement of the 2009/2010 budget and subsequent EBITDA targets

Autumn Finance Pty Ltd is the lessor that provides an operating lease facility to the Group for a number of cranes and hoists. Autumn Finance Pty Ltd has agreed that it does not require the Group to make operating lease payments for the period from 1 August 2008 to 1 July 2010. Lease payments will recommence from 1 July 2010 for each lease and the number of lease payments and length of the lease term will be the same as they were as at 1 August 2008.

1. Summary of Significant Accounting Policies (continued)

(b) Going concern (continued)

The financial statements for the half year ended 31 December 2008 have been prepared on a going concern basis. We note that there is significant uncertainty around the ability of the Group to continue as a going concern because this is dependent on the successful implementation of the above strategies which are not without risk. In the event the Group is not successful in the implementation of these strategies, it may not be able to realise its assets and settle its liabilities and commitments at the amounts stated in the financial report.

The financial statements of the Group do not include any adjustments relating to the recoverability or classification of recorded asset amounts or classification of liabilities, which might be necessary should the Group not be able to continue as a going concern.

(c) New accounting standards and interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 31 December 2008 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8
AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Group has not yet decided when to adopt AASB 8. Application of AASB 8 may result in different segments, segment results and different types of information being reported in the segment note of the financial report. However, at this stage, it is not expected to affect any of the amounts recognised in the financial statements.

(ii) Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]
The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Group, as the Group already capitalises borrowing costs relating to qualifying assets.

1. Summary of Significant Accounting Policies (continued)

(c) New accounting standards and interpretations (continued)

(iii) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101
A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Group intends to apply the revised standard from 1 July 2009.

According to management assessment, all other changes to the accounting standards are not relevant to the Group's financial statements.

2. Segment information

Business segments

The consolidated entity is organised on a global basis and operates in one segment only, that being the hire of cranes and hoists.

Geographic segments

Although the consolidated entities are managed on a global basis, during the year they operated in two main geographical areas which is the primary segment:

Australia
The home country of the parent entity which is also the main operating entity.

New Zealand
Comprises operations carried out in New Zealand. By 31 January 2008, the net assets of the New Zealand based business were sold and concluded Verticon's exit from the New Zealand market.

	Continuing operation Australia		**Discontinued operation New Zealand**		**Consolidated**	
	Half year 2008 $'000	Half year 2007 $'000	**Half year 2008 $'000**	Half year 2007 $'000	**Half year 2008 $'000**	Half year 2007 $'000
Segment revenue						
Segment revenue from sales to external customers	**22,993**	22,692	**-**	3,476	**22,993**	26,168
Segment result						
Segment profit before income tax	**3,609**	(28,162)	**-**	(12,242)	**3,609**	(40,404)
Income tax expense	**-**	(5,410)	**-**	568	**-**	(4,842)
Profit for the year	**3,609**	(33,572)	**-**	(11,674)	**3,609**	(45,246)

3. Profit for the half-year

	Half-year	
	2008	2007
	$'000	$'000
Profit for the half-year includes the following items that are unusual because of their nature, size or incidence:		
Gains		
Exchange gain/(loss) on NZ loan account	**(110)**	568
	(110)	568
Expenses		
Impairment of assets and goodwill	**-**	(32,866)
Bad Debts	**(93)**	(847)
Finance costs	**(2,249)**	(1,848)
	(2,342)	(35,562)

(a) Loan interest

The facility with Westpac is not subject to interest payments until July 2010. Interest of $1,543,513 has been included in Finance costs as per AASB 139 which requires that borrowings are recognised at amortised cost using the effective interest method. This is a non cash adjustment.

(b) Operating leases

The facility with Autumn Finance Pty Ltd is not subject to operating lease payments until July 2010. Operating lease payments of $504,548 have been included in Rental expenses as per AASB 117 which requires the expense to be shown on a straight line basis. This is a non cash adjustment.

4. Impairment

	Half-year	
	2008	2007
	$'000	$'000
Impairment of Property Plant and Equipment	**-**	17,920
Impairment of Goodwill	**-**	14,946
	-	32,866

Verticon Group Limited
Notes to the financial statements
31 December 2008

5. Discontinued operation

There were no discontinued operations between 30 June 2008 and 31 December 2008.

(a) Description

During the year ended 30 June 2008, the Group sold the net assets of its New Zealand based business. The sale was carried out in two parts. The first sale on 7th December 2007 included the New Zealand based tower crane and hoist business. The second sale on 31 January 2008 included the remainder of the crawler crane and mobile crane business.

Financial information relating to the discontinued operation for the period to the date of disposal is set out below. Further information is set out in note 2 - segment information.

(b) Financial performance and cash flow information

The financial performance and cash flow information presented are for the half year ended 31 December 2008 and 31 December 2007 and therefore does not include the disposal in January 2008.

	Half year	
	2008	2007
	$'000	$'000
Revenue	-	3,476
Other income	-	115
Expenses	-	(6,672)
Impairment of assets (note 2)	-	(456)
Impairment of goodwill (note 5)	-	(8,696)
Profit/(loss) before income tax	-	(12,233)
Income tax benefit/(expense)	-	568
Profit/(loss) after income tax of discontinued operations	-	(11,665)
Loss on sale of division before income tax	-	(9)
Income tax expense	-	-
Loss on sale of the division after income tax	-	(9)
Profit/(loss) from discontinued operations	-	(11,674)
Net cash inflow from operating activities	-	(4,383)
Net cash inflow (outflow) from investing activities	-	13,481
Net cash outflow from financing activities	-	(7,263)
Net increase in cash generated by the division	-	1,835

Verticon Group Limited
Notes to the financial statements
31 December 2008

5. Discontinued operation (continued)

(c) Carrying amounts of assets and liabilities

The carrying amounts of assets and liabilities disposed of as at 31 December 2008 and December 2007 are:

	Half year	
	2008 $'000	2007 $'000
Property, plant and equipment	-	13,231
Other	-	40
Total assets	-	13,271
Net assets	-	13,271

(d) Details of the sale of the division

Consideration received:-		
Cash	-	13,262
Carrying amount of net assets sold	-	(13,271)
Loss on sale before income tax	-	(9)
Income tax expense	-	-
Loss on sale after income tax	-	(9)

6. Capital Commitments

There are no commitments under contracts for capital expenditure at balance date to the extent to which provision has not been made in the financial report.

7. Contingencies

There are no contingent matters outstanding at the reporting date.

8. Borrowings

As at 31 December 2008, the Group has classified its loans payable as current liabilities. Westpac will continue to provide the existing facility until 1 July 2010 subject to review at 30 June 2009. The Group does not have unconditional rights to defer payment beyond 12 months from the balance sheet date per the conditions of the agreement. Refer to note 1(b) for terms of borrowings.

9. Events occurring after the balance sheet date

In February 2009 Verticon Developments No. 1 Pty Ltd executed a deed of variation to the heads of agreement to provide consultancy services in relation to the development which is still expected to generate considerable income and cash flow on completion in the 2009/2010 financial year or earlier.

Verticon Group Limited
Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 4 to 16 are in accordance with the *Corporations Act 2001* , including

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half-year ended on that date; and

(b) there are reasonable grounds to believe that Verticon Group Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

Noel Henderson	**Andrew Torrington**
Chairman	Managing Director

Signed at Melbourne,

Dated this 24th day of February 2009.

PRICEWATERHOUSECOOPERS

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Independent auditor's report to the members of Verticon Group Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Verticon Group Limited, which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Verticon Group Limited (the consolidated entity). The consolidated entity comprises both Verticon Group Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Verticon Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

For further explanation of a review, visit our website http:/www.pwc.com/au/financialstatementaudit.

PRICEWATERHOUSECOOPERS

Independent auditor's report to the members of Verticon Group Limited (continued)

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001.*

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Verticon Group Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001.*

Significant Uncertainty Regarding Continuation as a Going Concern

Without qualification to the conclusion expressed above, we draw your attention to Note 1 (b) in the financial report which comments on the reliance of the consolidated entity on the support of its lender for the extension and amendment of loan facilities. This condition along with other matters as set out in Note 1(b) indicates the existence of significant uncertainty which casts doubt on the ability of the consolidated entity to continue as a going concern and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

PricewaterhouseCoopers

PricewaterhouseCoopers

C Dodd

Chris Dodd
Partner

Melbourne
24 February 2009