VERTICON GROUP LIMITED

ABN 53 111 398 040

Interim Financial Report

31 December 2007

Verticon Group Limited

ABN 53 111 398 040

Interim financial report - 31 December 2007

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 2007 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 2007.

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 (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 $45.25 million after tax, which includes a $17.92 million plant and equipment write-down, a $14.95 million intangible asset (goodwill) write-down and a $4.84 million dollar reduction in deferred tax balances, for the six months to 31 December 2007.

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 26th day of February 2008.

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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 2007, 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
26 February 2008

Verticon Group Limited

Consolidated Income statement

For the half-year ended 31 December 2007

	Notes	Half Year 2007 $'000	Half Year 2006 $'000
Revenue from continuing operations		**26,168**	24,815
Other income		**90**	1,562
Employee benefits expense		**(15,149)**	(12,972)
Impairment of goodwill	4	**(14,946)**	(17)
Impairment of assets	4	**(17,920)**	(8,220)
Depreciation and amortisation expense		**(3,511)**	(3,013)
Finance costs		**(3,246)**	(2,184)
Subcontractors		**(753)**	(1,600)
Equipment hire and consumables used		**(1,978)**	(1,490)
Transport and travel expenses		**(1,693)**	(1,454)
Consultants (including legal and accounting)		**(145)**	(724)
Bad and doubtful debts		**(847)**	(533)
Insurance		**(501)**	(494)
Cost of goods sold		**-**	(153)
Other expenses from ordinary activities		**(5,972)**	(3,357)
Profit/(Loss) before income tax		**(40,403)**	(9,834)
Income tax expense		**(4,843)**	2,897
Profit/(Loss) attributable to members of Verticon Group Limited		**(45,246)**	(6,937)
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share		**(72.3)**	(11.1)
Diluted earnings per share		**(72.3)**	(11.1)

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

Verticon Group Limited
Consolidated Balance sheet
As at 31 December 2007

	31 December 2007 $'000	30 June 2007 $'000
ASSETS		
Current Assets		
Cash and cash equivalents	**1,519**	84
Trade and other receivables	**9,577**	17,659
Total current assets	**11,096**	17,743
Non-current Assets		
Property, plant and equipment	**43,490**	75,564
Deferred tax assets	**327**	5,645
Intangible assets	**392**	15,847
Total non-current assets	**44,209**	97,056
Total assets	**55,305**	114,799
LIABILITIES		
Current liabilities		
Trade and other payables	**6,042**	5,718
Current Tax Liabilities	**43**	44
Borrowings	**50,767**	16,555
Provisions	**1,075**	1,009
Total current liabilities	**57,927**	23,326
Non-current liabilities		
Borrowings	**-**	47,702
Deferred tax liabilities	**327**	829
Provisions	**94**	157
Total non-current liabilities	**421**	48,688
Total liabilities	**58,348**	72,014
Net assets	**(3,043)**	42,785
EQUITY		
Contributed equity	**49,463**	49,463
Reserves	**(946)**	(365)
Retained profits	**(51,560)**	(6,313)
Total equity	**(3,043)**	42,785

Verticon Group Limited

Consolidated statement of changes in equity

For the half-year ended 31 December 2007

	Notes	Half Year 2007 $'000	2006 $'000
Total equity at the beginning of the half-year		**42,785**	51,139
Exchange differences on translation of foreign operations		**(582)**	864
Employee Share Options		**-**	-
Net (loss)/income recognised directly in equity		**(582)**	864
Profit/(loss) for the half-year		**(45,246)**	(6,937)
Total recognised income and expense for the half-year		**(45,828)**	(6,073)
Transactions with equity holders in their capacity as equity holders:			
Contributions of equity, net of transaction costs		**-**	-
Employee share options		**-**	-
Dividends provided for or paid		**-**	-
		-	-
Total equity at the end of the half-year		**(3,043)**	45,066
Total recognised income and expense for the half-year is attributable to:			
Members of Verticon Group Limited		**(45,828)**	(6,073)
		(45,828)	(6,073)

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 2007

	Half-year	
	2007	2006
	$'000	$'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	**32,835**	27,976
Payments to suppliers and employees (inclusive of goods and services tax)	**(25,791)**	(26,960)
	7,044	1,016
Interest received	**-**	1
Interest paid	**(3,246)**	(2,291)
Income taxes paid	**-**	(231)
Net cash inflow/(outflow) from operating activities	**3,798**	(1,505)
Cash flows from investing activities		
Payments for acquisition of businesses	**-**	-
Payments for deferred consideration	**-**	(8,745)
Payments for property, plant and equipment	**(2,927)**	(2,805)
Proceeds from sale of property, plant and equipment	**13,479**	3,567
Net cash inflow/(outflow) from investing activities	**10,552**	(7,983)
Cash flows from financing activities		
Proceeds from borrowings	**857**	23,118
Repayment of borrowings	**(12,895)**	(12,744)
Dividends paid to company's shareholders	**-**	-
Net cash (outflow)/inflow from financing activities	**(12,038)**	10,374
Net increase/(decrease) in cash and cash equivalents	**2,312**	886
Cash and cash equivalents at the beginning of the year	**(5,732)**	(4,014)
Effects of exchange rate changes on cash and cash equivalents	**-**	-
Cash and cash equivalents at end of the half-year	**(3,420)**	(3,128)

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 2007

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 2007 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 2007 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 2007 the consolidated entity has a working capital deficiency and negative net assets and has also experienced an operating loss for the half year ending on that date. The Company is in technical breach of debt covenants existing at reporting date, as described in note 8, and will be required to refinance its borrowings prior to 30 June 2008. There are no unused credit facilities available at reporting date.

The financier has provided a letter advising that in light of the continuing restructure and recapitalisation of the business, it will not enforce its rights under existing agreements at the date of this report (refer to note 8 for further details). The Company is currently in discussions with the financier regarding revised facilities and covenants going forward and the Directors believe that the financier will not withdraw funding in the foreseeable future

Management has completed a number of strategies to improve the financial performance of the consolidated entity since the last reporting date including the divestment of the New Zealand business and consolidation of single yards.

In addition, the Company is continuing to implement a number of actions over the coming twelve months in order to improve the current financial position and cashflow of the consolidated entity. These include the following:

a) seeking additional capital alternatives
b) utilising alternate leasing arrangements to purchase new equipment that will generate improved margins
c) disposing of under performing assets
d) extending the due dates of existing loans and agreeing appropriate covenants
e) reducing yard and workshop expenditure across the Group including consolidation into a single yard in Queensland
f) disposing of assets that are not considered part of the Company’s core business
g) no dividend has been declared for the half year to 31 December 2007. A dividend strategy will be finalised as part of any capital restructure.

1. Summary of Significant Accounting Policies (continued)

The above actions will improve the performance of the business by reducing debt servicing obligations, securing longer-term financing facilities and enhancing the operating performance of the company to meet existing demand through more marketable service offerings to its target clients at improved margins. The Directors have already commenced a number of these initiatives.

As at the date of this report, there is material uncertainty as to whether the consolidated entity will be able to continue to operate as a going concern and, therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial report.

The financial statements of the consolidated entity 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 consolidated entity not be able to continue as a going concern.

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, they operate in two main geographical areas:

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

New Zealand
Comprises operations carried out in New Zealand.

	Segment revenues from sales to external customers		Segment Result	
	Half year 2007 $'000	Half year 2006 $'000	**Half year 2007 $'000**	Half year 2006 $'000
Australia	**22,692**	18,691	**(33,572)**	(8,769)
New Zealand	**3,476**	6,124	**(11,674)**	1,831
	26,168	24,815	**(45,246)**	(6,937)

Segment revenues are allocated based on the country in which the customer is located. Segment assets and capital expenditure are allocated based on where the assets are located.

Verticon Group Limited
Notes to the financial statements
31 December 2007

3. Profit for the half-year

	Half-year	
	2007	2006
	$'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	**568**	1,378
	568	1,378
Expenses		
Impairment of assets and goodwill	**(32,866)**	(8,237)
Bad Debts	**(847)**	(533)
	(33,713)	(8,770)

4. Impairment

	Half-year	
	2007	2006
	$'000	$'000
Impairment of Property Plant and Equipment	**17,920**	8,220
Impairment of Goodwill	**14,946**	17
	32,866	8,237

Goodwill and intangible assets that have an indefinite life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, asset's are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other that goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Verticon Group concluded an independent valuation of all of its plant and equipment on 23 October 2007 which impacted the assessment of the recoverable amount of assets. As a result, the Company incurred a plant and equipment write-down of $17.92M.

Estimates of recoverable amounts for each individual asset was assessed as the higher of the assets fair value less costs to sell or the assets value in use. The assets value in use was determined by discounting each asset’s estimated future cash flows at an appropriate discount rate.

Verticon Group concluded an independent valuation of all of its plant and equipment on 23 October 2007 which impacted the assessment of the recoverable amount of assets contained in cash-generating units including goodwill. As a result, the Company incurred a intangible asset (goodwill) write-down of $14.95M. The total asset write down was therefore $32.87M.

5. 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.

6. Contingencies

There are no contingent matters outstanding at the reporting date.

7. Events occurring after the balance sheet date

Sale of subsidiary

On 31st January, 2008 the Verticon Group sold the net assets of its New Zealand based business to Daniel Smith Industries for NZD$13M. The sale included all New Zealand based crawler cranes and mobile cranes, ancillary equipment and hire agreements and concludes Verticon's exit from the New Zealand market.

The financial effect (AUD excluding tax impact) of the sale is as follows:	**$'000**
Sale proceeds	**(11,390)**
Carrying amount of net assets disposed	
Property plant and equipment	9,354
Provision for legal costs	175
Employee provisions	(31)
	9,498
Gain on disposal	**(1,892)**

The financial effect of the sale has not been recognised in the accounts as at 31 December 2007.

8. Borrowings

As at 31 December 2007, Verticon Group Limited is in technical breach of debt covenants contained in funding agreements with their financier in relation to debt service coverage.

The financier has advised that in the light of continuing restructure and recapitalisation of the business, it will not enforce its rights under the existing agreement until the earlier of:
a) 30 June 2008
b) Verticon Group Limited failing to implement the Action Plan (as agreed with the financier) or
c) the occurrence of any other default event under the existing agreements.

The carrying amount of loans payable in default as at 31 December 2007 is $50.76M. This balance has been classified as a current liability in the financial statements. The default has not been remedied or the terms of the loan agreements renegotiated at the date of this report, although the directors expect to re-negotiate the agreement by June 2008.

Verticon Group Limited
Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 5 to 11 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 2007 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; and

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

Noel Henderson	**Andrew Torrington**
Chairman	Managing Director

Signed at Melbourne,

Dated this 26th day of February 2008.

PRICEWATERHOUSECOOPERS

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INDEPENDENT AUDITOR'S REVIEW 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 2007, 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 Group (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 2007 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

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

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 2007 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*.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our conclusion expressed above, we draw attention to Note 1 in the financial report which indicates that the consolidated entity incurred a net loss of $45.2 million during the half year ended 31 December 2007 and has net liabilities of $3 million at that date. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.

PricewaterhouseCoopers

PricewaterhouseCoopers

Chris Dodd

Partner 26 February 2008

Melbourne