VERTICON GROUP LIMITED

ABN 53 111 398 040

Interim Financial Report

31 December 2010

Verticon Group Limited

ABN 53 111 398 040

Interim financial report - 31 December 2010

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 2010 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 2010.

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) & Acting CEO
David Wieland	Director (Non Executive)
David Goldberger	Director (Non Executive)
Sam Fink	Director (Non Executive)

Andrew Torrington was the Managing Director and Company Secretary from the beginning of the financial year until his resignation on 2 September 2010.

Brett Coleman was appointed Company Secretary on 2 September 2010 and continues in office at the date of this report.

Review of operations

Net loss after tax was $1,814 thousand on turnover of $381 thousand, including discontinued operations. The profitability of the Group has declined in the half-year to 31 December 2010 due to a decrease in revenue from continuing operations compared to the prior year and an increase in financing costs. Operating expenditure has been confined to wages and salaries, maintaining Verticon's head office premises in St Kilda Road Melbourne and ongoing compliance costs.

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.

After Balance Date Events

In February 2011 Westpac agreed to the extension and restructure fee of $1,500 thousand, originally due 31 December 2011, to be deferred to 30 June 2012.

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

Noel Henderson
Chairman
Signed at Melbourne,
Dated this 25 day of February 2010.

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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 2010, 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.

Michael Shewan
Partner
PricewaterhouseCoopers

Melbourne
28 February 2011

Verticon Group Limited

Consolidated statement of comprehensive income

For the half-year ended 31 December 2010

	Notes	Half Year 2010 $'000	2009 $'000
Revenue from continuing operations		**381**	589
Employee benefits expense		**(289)**	(305)
Depreciation and amortisation expense		**(22)**	(75)
Finance costs	3	**(1,600)**	(1,398)
Transport and travel expenses		**(2)**	(5)
Consultants (including legal and accounting)		**(89)**	(67)
Bad and doubtful debts	3	**-**	348
Insurance		**(56)**	(113)
Rental expenses		**(57)**	(70)
Other expenses from ordinary activities		**(80)**	(124)
Profit/(Loss) before income tax		**(1,814)**	(1,220)
Income tax expense		**-**	-
Profit/(Loss) from continuing operations		**(1,814)**	(1,220)
Profit/(Loss) from discontinued operations		**-**	326
Profit/(Loss) for the half-year		**(1,814)**	(894)
Other comprehensive income for the half-year, net of tax		**-**	-
Total comprehensive income for the half-year		**(1,814)**	(894)
Profit/(loss) attributable to members of Verticon Group Limited		**(1,814)**	(894)
Total comprehensive income for the half-year is attributable to Verticon Group Limited		**(1,814)**	(894)
		Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:			
Basic earnings per share		**(1.4)**	(1.0)
Diluted earnings per share		**(1.4)**	(1.0)
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share		**(1.4)**	(0.7)
Diluted earnings per share		**(1.4)**	(0.7)

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

Verticon Group Limited

Consolidated statement of financial position

As at 31 December 2010

	31 December 2010 $'000	30 June 2010 $'000
ASSETS		
Current Assets		
Cash and cash equivalents	**623**	1,393
Trade and other receivables	**1,617**	1,683
Total current assets	**2,240**	3,076
Non-current Assets		
Property, plant and equipment	**45**	67
Other receivables	**6,946**	8,765
Total non-current assets	**6,990**	8,832
Total assets	**9,230**	11,908
LIABILITIES		
Current liabilities		
Trade and other payables	**1,608**	1,838
Borrowings	**43,814**	44,393
Provisions	**1**	34
Total current liabilities	**45,423**	46,265
Non-current liabilities		
Provisions	**9**	31
Total non-current liabilities	**9**	31
Total liabilities	**45,432**	46,296
Net liabilities	**(36,202)**	(34,388)
EQUITY		
Contributed equity	**52,886**	52,886
Retained earnings/(loss)	**(89,088)**	(87,274)
Total equity	**(36,202)**	(34,388)

The above consolidated statement of financial position 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 2010

Consolidated	Contrib-uted equity $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
	Attibutable to owners of Verticon Group Limited			
Balance as at 1 July 2009	**52,886**	**-**	**(84,510)**	**(31,624)**
Profit/(loss) for the half-year	-	-	(894)	(894)
Total comprehensive income for the half-year	**-**	**-**	**(894)**	**(894)**
Transactions with owners in their capacity as owners	-	-	-	-
Balance as at 31 December 2009	**52,886**	**-**	**(85,404)**	**(32,518)**
Balance as at 1 July 2010	**52,886**	**-**	**(87,274)**	**(34,388)**
Profit/(loss) for the half-year	-	-	(1,814)	(1,814)
Total comprehensive income for the half-year	**-**	**-**	**(1,814)**	**(1,814)**
Transactions with owners in their capacity as owners	-	-	-	-
Balance as at 31 December 2010	**52,886**	**-**	**(89,088)**	**(36,202)**

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

Verticon Group Limited

Consolidated statement of cash flows

For the half-year ended 31 December 2010

	Half-year 2010 $'000	2009 $'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	**10**	3,875
Payments to suppliers and employees (inclusive of goods and services tax)	**(799)**	(2,091)
	(789)	1,784
Interest received	**375**	101
Interest & other costs of finance paid	**(356)**	-
Net cash inflow/(outflow) from operating activities	**(770)**	1,885
Cash flows from investing activities		
Receipts of deferred sale consideration	**1,879**	31
Net cash inflow/(outflow) from investing activities	**1,879**	31
Cash flows from financing activities		
Repayment of borrowings	**(1,879)**	(31)
Net cash (outflow)/inflow from financing activities	**(1,879)**	(31)
Net increase/(decrease) in cash and cash equivalents	**(770)**	1,885
Cash and cash equivalents at the beginning of the half-year	**1,393**	2,616
Cash and cash equivalents at end of the half-year	**623**	4,501

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

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 2010 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 2010 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, except as set out below.

(b) Impact of standards issued but not yet applied by the entity

In December 2009, the AASB issued AASB 9 *Financial Instruments* which addresses the classification and measurement of financial assets and is likely to affect the group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The group is yet to assess its full impact. However, initial indications are that it will not affect the group's accounting as it currently does not have any available-for-sale financial assets.

(c) Going concern

As at 31 December 2010 the Group has a working capital deficiency of $43,128 thousand (30 June 2010: $43,190 thousand) and negative net assets of $36,202 thousand (30 June 2010: $34,388 thousand) and has also experienced an operating loss of $1,814 thousand (30 June 2010: $2,764 thousand).

There are a number of factors outlined below in relation to the financial position of the Group which indicate the existence of material uncertainty with regard to 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 strategies outlined below.

Operational and business factors

Verticon announced the sale of its crane and hoist division on 27 April 2009 which included all of Verticon's tower cranes, hoists, ancillary equipment, hire agreements and employees, other than those engaged solely in the property development division. The sale of the crane and hoist division was approved by Verticon's financiers, Westpac, including the deferred repayment of the sale proceeds over a five year period. The sale was also subsequently approved by Verticon's shareholders on 27 May 2009 and was completed on 1 June 2009.

Following the sale of the crane and hoist division, Verticon is using the expertise of the Board to engage solely in property development activities on a consultancy basis or as principal or joint venture partner. Overhead costs have been reduced, confining expenditure to wages and salaries, maintaining Verticon's head office premises in St Kilda Road Melbourne and ongoing compliance costs.

1. Summary of Significant Accounting Policies (continued)

(c) Going concern (continued)

In August 2009 Verticon Developments No.1 Pty Ltd, a 100% owned subsidiary of Verticon Group Limited, signed a consultancy agreement with a developer, a company controlled by two of the Directors David Wieland and David Goldberger, to provide construction and project management expertise for the development and construction of a Retail Precinct Project in Melbourne's eastern suburbs.

As part of the consultancy agreement, Verticon will be paid a fee dependent on the success of the Retail Precinct Project. The fee is expected to be between $4 million and $7 million and be payable in the 2010/2011 financial year. A Deed of Variation to the consultancy agreement was subsequently signed in August 2010 providing for a loan from the development company to Verticon of $0.7 million in March 2011 in the event the Retail Precinct Project is not sold prior to that date.

Construction of the Retail Precinct Project was completed in November 2010.

The Directors believe that the consultancy fee payable to Verticon for the Retail Precinct Project will enable Verticon to further reduce its debt and provide funds to enable the Group to enter into ongoing property development activities, including similar consultancy agreements, or as a principal or joint venture partner.

The Directors are currently investigating a number of projects which it believes will provide development income to the Group in the future.

Financing factors

Westpac provided a five (5) year facility of $42.47 million to the Group in June 2009 following the sale of the Group's crane and hoist division. The facility comprises two components. Facility 1 is for $10.80 million and is payable from the proceeds to be received from D&G Hoists and Cranes (Aus) Pty Ltd (the acquirer of the crane and hoist division). This allows for $6.00 million of repayments and interest over a five year period with a $4.80 million payment due 30 June 2014. Facility 2 is for $31.67 million and is payable by Verticon Group Limited and allows for capitalised interest for the term of the facility. There is no formal repayment schedule for the term of Facility 2. Any development income will largely be used to reduce the facility owing to Westpac under the terms of the financing agreement, with a small amount to be retained by the Group for working capital purposes.

An extension and restructure fee of $1.50 million is payable by the Group. This was originally payable on the earlier of 31 December 2011 or the date of settlement of the Retail Precinct Project. However, during the period the financiers have agreed to a deferral of payment to 30 June 2012.

The Directors believe that the nature of operational, business and financing strategies described above will provide sufficient funds for the entity to continue as a going concern.

The financial statements for the half year ended 31 December 2010 have been prepared on a going concern basis. We note that there is material uncertainty around the ability of the Group to continue as a going concern because this is dependent on the ongoing support of its lender in the short term and long term, and successful implementation of the new business strategies, which are not without risk. In the event that the implementation of the new business strategies do not provide adequate funds to repay the debt or the extension and restructure fee by the scheduled payment date, the Group will require the support of its lender to restructure its financing facilities.

1. Summary of Significant Accounting Policies (continued)

(c) Going concern (continued)

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 in the normal course of business at the amounts stated in the financial statements.

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.

(d) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors.

Verticon Group Limited

Notes to the financial statements

31 December 2010

2. Segment information

(a) Description of segments

Two reportable segments have been identified based on the operating segments that are regularly reviewed by the Group's chief operating decision makers, the Board of Directors. The reportable segment shown as the continuing operation represents the property development and headquarter operations. Refer to note 1(d) for further detail. The hire of cranes and hoists reportable segment represents the business disposed by the Group including the operations in Queensland, New South Wales, and Victoria which were sold with effect from 1 June 2009. Information about this discontinued segment is provided in note 4.

The segment information for the half-year ended 31 December 2010 is as follows:

	Continuing operation Corporate		Discontinued operation Cranes & Hoists		Consolidated	
	Half year 2010 $'000	Half year 2009 $'000	**Half year 2010 $'000**	Half year 2009 $'000	**Half year 2010 $'000**	Half year 2009 $'000
Segment revenue						
Segment revenue to external customers	**381**	141	-	-	**381**	141
Segment result						
Segment profit before income tax	**(1,814)**	(1,220)	-	326	**(1,814)**	(894)
Income tax expense	-	-	-	-	-	-
Profit for the year	**(1,814)**	(1,220)	-	326	**(1,814)**	(894)
Other segment information						
Acquisition of property plant and equipment, intangibles and other non current segment	-	-	-	-	-	-
Interest revenue	**375**	448			**375**	448
Interest expense	**(1,600)**	(1,398)			**(1,600)**	(1,398)
Depreciation and amortisation expense	**(22)**	(75)	-	-	**(22)**	(75)
	Half year 2010 $'000	June 2010 $'000	**Half year 2010 $'000**	June 2010 $'000	**Half year 2010 $'000**	June 2010 $'000
Segment assets and liabilities						
Segment assets	**9,230**	11,908	-	-	**9,230**	11,908
Segment liabilities	**45,432**	46,296	-	-	**45,432**	46,296

Verticon Group Limited

Notes to the financial statements

31 December 2010

3. Finance Costs

	Half-year 2010 $'000	Half-year 2009 $'000
Finance costs for the half year includes the following costs:		
Expenses		
Bad debts	-	348
Finance costs	**(1,600)**	(1,398)
	(1,600)	(1,050)

4. Discontinued operation

(a) Description

Verticon announced the sale of its crane and hoist division on 27 April 2009 which included all of Verticon's tower cranes, hoists, ancillary equipment, hire agreements and employees, other than those engaged solely in the property development division. The sale was approved by Verticon's financiers, Westpac, including the deferred repayment of the sale proceeds over a five year period. The sale was also subsequently approved by Verticon's shareholders on 27 May 2009 and was completed on 1 June 2009.

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.

(b) Financial performance and cash flow information

	2010	2009
Revenue	-	-
Other income	-	-
Expenses	-	326
Profit/(loss) before income tax	-	326
Income tax benefit/(expense)	-	-
Profit/(loss) from discontinued operations	-	326
Net cash inflow from ordinary activities	-	(24)
Net cash inflow (outflow) from investing activities	-	-
Net cash outflow from financing activities	-	-
Net increase in cash generated by the division	-	(24)

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

Verticon Group Limited had no contingent assets or contingent liabilities outstanding at 30 June 2010.

7. Borrowings

As at 31 December 2010, the Group has classified its loans payable as current liabilities. Westpac has provided a five (5) year facility of $43,814 thousand to the Group until June 2014. The Directors consider that given the prevailing loan arrangements, disclosure as current is appropriate. Changes to the prior year balance includes movements for capitalised interest charged during the year. Refer to note 1(c) for further detail.

In February 2011 Westpac agreed to the extension and restructure fee of $1,500 thousand, originally due 31 December 2011, to be deferred to 30 June 2012.

8. Related Party Transactions

There were no related party transactions with subsidiaries during the year.

As disclosed in note 1(c), the Group has entered into a consultancy agreement with a company, North Lodge Pty Ltd, which is controlled by two of the Directors. There has been no financial impact of the consultancy agreement in the current half-year or prior year.

A deed of variation to the North Lodge consultancy agreement was signed in August 2010 providing for a loan from the development company to Verticon of $700 thousand in March 2011 in the event the Retail Precinct Project is not sold prior to this date.

9. Events occurring after the balance sheet date

There were no significant events after the balance sheet date, other than those disclosed in Note 7.

Verticon Group Limited
Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 4 to 13 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 2010 and of its performance 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
Chairman
Signed at Melbourne,
Dated this 25 day of February 2010.

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 (the company), which comprises the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Verticon Group Limited (the consolidated company). The consolidated entity comprises both 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 of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

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 2010 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.

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.

PRICEWATERHOUSECOOPERS

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

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

Matters relating to the electronic presentation of the reviewed financial report

This review report relates to the financial report of the Company for the half-year ended 31 December 2010 included on Verticon Group Limited's web site. The company's directors are responsible for the integrity of the Verticon Group Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

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 2010 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.*

Emphasis of Matter

Without qualification to the conclusion expressed above, we draw your attention to Note 1 in the financial report which comments on the reliance of the consolidated entity on the ongoing support of its lender and implementation of the new business strategy. These conditions, along with other matters as set out in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

PricewaterhouseCoopers

PricewaterhouseCoopers

Michael Shewan
Partner

Melbourne
28 February 2011