VERTICON GROUP LIMITED

ABN 53 111 398 040

Annual Financial Report

30 June 2008

Verticon Group Limited

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Annual financial report - 30 June 2008

Contents

This financial report covers both Verticon Group Limited as an individual entity and the consolidated entity consisting of Verticon Group Limited and its subsidiaries. The financial report is presented in the Australian currency.

Verticon Group Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Verticon Group Limited
Level 9
580 St Kilda Road
Melbourne Victoria 3004

A description of the nature of the consolidated entity's operations and its principal activities is included on pages 2-4 of the Directors' Report.

The financial report was authorised for issue by the Directors on 29 August 2008. The Company has the power to amend and reissue the financial report.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete, and available globally at minimum cost to the Company. All press releases, financial reports and other information are available on our website : www.verticon.com.au

Verticon Group Limited
Directors' Report

Your Directors present their report on the consolidated entity (the Group) consisting of Verticon Group Limited and the entities it controlled at the end of, or during the year ended 30 June 2008.

Directors

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

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

Principal activity

The principal activity of the Group during the period was the hire and sale of cranes and hoists and the provision of labour hire.

There were no significant changes in the nature of the Group's principal activity during the period.

Dividends

No dividends have been paid to members during the financial year.

No guarantee can be given about the payment of dividends, the level of franking or imputation of such dividends for any period as these matters will depend on the future profits of Verticon Group Limited and its financial and taxation position at the time.

Review of operations

Net loss after tax was $59.52m on turnover of $50.12m, including discontinued operations.

Included in the consolidated result is a $27.30m plant and equipment write-down, a $14.84m intangible asset (goodwill) write-down, a $4.82m reduction in deferred tax balances and $5.64m of depreciation and amortisation, including discontinued operations.

During the year, Verticon Group Limited sold the net assets of its New Zealand based business. The sale was carried out in two parts and concluded by 31 January 2008 and resulted in a profit on sale at subsidiary level of $2.05m.

Earnings per share is shown in note 35 of the financial report.

Significant changes in the state of affairs

Significant changes in the state of affairs of the Group during the financial year were as follows:

	2008 $'000
(a) Significant gains and expenses	
Expenses:	
Impairment of assets and goodwill	42,150
Bad Debts	906
Interest	5,668

Matters subsequent to the end of the financial year

As at 30 June 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 year ending on that date. Although the Group is in breach of debt covenants existing at reporting date, the Group has subsequently confirmed ongoing facility arrangements with Westpac until 1 July 2010.

Verticon Developments No.1 Pty Ltd, a 100% owned subsidiary of Verticon Group Limited, has 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 that is expected to generate considerable profit and cash flow on completion in the 2009/2010 financial year or earlier.

The binding heads of agreement is dated 28 August 2008 and is subject to due diligence by Verticon prior to the execution of a transaction document and the following conditions precedent:

- Verticon shareholder approval if required
- approval if required by ASIC and/or the ASX
- Verticon arrangement of development and construction finance
- the other party to the head of agreement acquiring vacant possession of and clear title to the land

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.

Westpac has provided a letter advising that it will continue to provide the existing facilities of $41.7 million to the Group until 1 July 2010. Westpac will provide a combination of interest forgiveness and interest capitalisation until 30 June 2010 by which time the Group is expected to have sold 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 that the Board continues to implement the change in strategic direction of the Group to property development. Any sale proceeds and development profits 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.

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 confirmed that it will 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.

The Directors are not aware of any other matter or circumstance that has arisen since 30 June 2008 that has significantly affected, or may significantly affect:

a) the Group's operations in future financial years, or
b) the results of those operations in future financial years, or
c) the Group's state of affairs in future financial years.

Likely developments and expected results of operations

The directors foresee that the market share across the group will remain stable during the next financial year.

Directors are cognisant of the requirements to continuously disclose material matters to the market.

Environmental regulation

Verticon Group Limited's operations are confined within Australia. The operations of Verticon Group Limited are covered by a range of environmental laws under Commonwealth, State or Territorial legislation. The laws that affect the Company's operations and contracts have been covered by our customer's own risk analysis and their management systems. However, Verticon Group Limited's normal operations and work procedures utilise existing management systems and relevant permits, job safety analysis (completed for every hire arrangement) and close supervision to ensure that activities comply with all relevant environmental legislation.

Information on Directors

Noel Henderson. Chairman (Non Executive). Age 62.
Experience and expertise
Noel has worked in the construction sector throughout Australia, the United Kingdom, New Zealand and the United Arab Emirates for 38 years. He is a former Chairman of the construction division of Multiplex Group Limited.

Other current directorships of listed companies
None.

Former directorships of listed companies in last three years
Executive director of Multiplex Group Limited from 2003 to 2005.

Special responsibilities
Chairman of Board
Chairman of Occupational Health, Safety and Environmental Committee
Chairman of Nomination Committee

Interests in shares and options
6,274,934 ordinary shares in Verticon Group Limited.

Andrew Torrington B Comm, MBA. Director (Executive). Age 37.
Experience and expertise
Andrew has more than 14 years experience in the construction and development industry in Australia, the United Kingdom and New Zealand. Before joining Verticon Andrew was a Director of the construction and development division of Multiplex Group Limited.

Other current directorships of listed companies
None.

Former directorships of listed companies in last three years
None.

Special responsibilities
Member of Occupational Health, Safety and Environmental Committee

Interests in shares and options
461,880 ordinary shares in Verticon Group Limited.

David Goldberger. Director (Non Executive). Age 60.
Experience and expertise
David has extensive experience in petrol retailing, property development and construction.

Other current directorships of listed companies
None.

Former directorships of listed companies in last three years
None.

Special responsibilities
Member of Remuneration Committee
Member of Occupational Health, Safety and Environmental Committee
Member of Audit and Risk Committee
Member of Nomination Committee

Interests in shares and options
35,408,686 ordinary shares in Verticon Group Limited.

David Wieland. Director (Non Executive). Age 63.
Experience and expertise
David has extensive experience in petrol retailing, property development and construction.

Other current directorships of listed companies
None.

Former directorships of listed companies in last three years
None.

Special responsibilities
Chairman of Remuneration Committee
Member of Occupational Health, Safety and Environmental Committee
Member of Audit and Risk Committee
Member of Nomination Committee

Interests in shares and options
35,408,685 ordinary shares in Verticon Group Limited.

Sam Fink Bec, CPA. Director (Non Executive). Age 63.
Experience and expertise
Sam has been involved in commercial and retail property development.

Other current directorships of listed companies
None.

Former directorships of listed companies in last three years
None.

Special responsibilities
Chairman of Audit and Risk Committee
Member of Remuneration Committee

Interests in shares and options
378,000 ordinary shares in Verticon Group Limited.

Company Secretary

The company secretary is Chris Hipwell B.Comm, CA.

Meetings of Directors

The numbers of meetings of the Company's Board of Directors and each board committee held during the year ended 30 June 2008, and the numbers of meetings attended by each Director were:

	Full meetings of directors		Meetings of committees							
			Audit		Nomination		Remuneration		OHS&E	
	A	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Noel Henderson	15	15	*	*	1	1	*	*	1	1
Andrew Torrington	15	15	*	*	*	*	*	*	1	1
David Goldberger	15	15	2	2	1	1	2	2	*	*
David Wieland	13	15	2	2	1	1	*	2	*	*
Sam Fink	15	15	2	2	*	*	2	2	*	*

A = Number of meetings attended
B = Number of meetings held during the time the Director held office or was a member of the committee
* = Not a member of the relevant committee

Remuneration report

The remuneration report is set out under the following headings:
A. Principles used to determine the nature and amount of remuneration
B. Details of remuneration
C. Service agreements

A. Principles used to determine the nature and amount of remuneration

The Remuneration Committee comprises a minimum of two Non Executive Directors and advises the Board on remuneration policies and practises generally and makes specific recommendations on remuneration packages and other terms of employment for Executive Directors, other senior executives and Non Executive Directors.

Executive Directors and key management personnel
Executive remuneration and their term of employment are reviewed annually by the Remuneration Committee having regard to performance against pre-agreed objectives, relevant comparative information and independent expert advice.

Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the various parts of the business.

Remuneration and other terms of employment for the Managing Director and key management personnel are formalised in employment agreements. Each of these agreements provides for the provision of a Fixed Remuneration Package (FRP) component and a Short Term Incentive (STI) component.

(a) Fixed Remuneration Package (FRP)
FRP comprises a fixed based salary and superannuation component and is reviewed annually by the Remuneration Committee.

(b) Short Term Incentive (STI)
STI comprises a variable target component and is paid following the audit of the Group's accounts and a review of individual performance against Key Performance Indicators (KPI's) set at the beginning of each financial year.

A. Principles used to determine the nature and amount of remuneration (continued)

Non Executive Directors
Remuneration of the Non Executive Directors is determined by the Board within the maximum amount approved by the shareholders from time to time.

B. Details of remuneration

Amounts of remuneration
Details of the remuneration of the directors and other key management personnel are set out in the following tables.

The key management personnel of the Verticon Group including the five highest paid executives are:

Chris Hipwell	Chief Financial Officer & Company Secretary
Graham Hadley	Group Manager Hoists
Jason Hotop	State Manager - New South Wales (Cranes)
Randell Eckert	State Manager - Queensland
Hamish Peat	State Manager - Victoria

The key management personnel of Verticon Group Limited are as per above. There are no other key management personnel or executives of the parent entity.

Directors of Verticon Group

30 June 2008		Short term employee benefits		Post employment benefits	Share-based payments		
Directors		Cash salary and fees $	Cash bonus $	Non monetary benefits $	Super-annuation $	Shares $	Options $	Total $
Noel Henderson	*	241,871	-	-	13,129	114,676	-	369,676
Andrew Torrington		326,869	100,000	4,237	13,129	-	-	444,235
David Goldberger	**	-	-	-	-	-	-	-
David Wieland	**	-	-	-	-	-	-	-
Sam Fink		36,697	-	-	3,303	-	-	40,000
Total		**605,437**	**100,000**	**4,237**	**29,561**	**114,676**	**-**	**853,911**

* Noel Henderson received 1,758,334 shares.

** David Goldberger and David Wieland have agreed to forgo any remuneration for the services they provide as Directors of Verticon Group Limited.

Verticon Group Limited
Directors' Report

B. Details of remuneration (continued)

30 June 2007	**Short term employee benefits**			**Post employment benefits**	**Share-based payments**		
Directors	**Cash salary and fees $**	**Cash bonus $**	**Non monetary benefits $**	**Super-annuation $**	**Shares $**	**Options $**	**Total $**
Noel Henderson *	242,313	-	-	12,686	139,510	-	394,509
Andrew Torrington	24,852	-	372	1,057	-	-	26,281
David Goldberger **	-	-	-	-	-	-	-
David Wieland **	-	-	-	-	-	-	-
Sam Fink	36,697	-	-	3,303	-	-	40,000
Rob Lockett (from 01/07/2006 - 25/05/2007)	297,554	75,000	3,716	12,686	-	-	388,956
Dennis Tomasel (from 01/07/2006 - 27/03/2007)	207,556	-	-	12,686	-	-	220,242
Total	**808,972**	**75,000**	**4,088**	**42,418**	**139,510**	**-**	**1,069,988**

* Noel Henderson received 695,800 shares.

** David Wieland and David Goldberger have agreed to forgo any remuneration for the services they provide as Directors of Verticon Group Limited.

30 June 2008	**Short term employee benefits**			**Post employment benefits**	**Share-based payments**		
Key Management	**Cash salary and fees $**	**Cash bonus $**	**Non monetary benefits $**	**Super-annuation $**	**Shares $**	**Options $**	**Total $**
Chris Hipwell	134,373	4,000	4,237	12,094	-	-	154,704
Graham Hadley	139,852	20,000	-	11,687	-	-	171,539
Jason Hotop	140,492	20,000	-	13,129	-	-	173,621
Randall Eckert (from 20/03/08 - 30/06/08)	52,982	-	-	3,941	-	-	56,923
Hamish Peat (from 10/06/08 - 30/06/08)	8,611	-	-	775	-	-	9,386
Daniel Smith (from 01/07/07 - 30/03/08)	163,823	68,527	-	-	-	-	232,350
Jason Redman (from 01/07/07 - 28/11/07)	63,279	-	-	4,645	-	-	67,924
Rodney Samimi (from 01/07/07 - 14/12/07)	100,613	25,000	-	10,278	-	-	135,891
Michael Martin (from 01/07/07 - 20/06/08)	168,728	9,000	-	13,129	-	-	190,857
Total	**972,753**	146,527	**4,237**	**69,678**	**-**	**-**	**1,193,195**

B. Details of remuneration (continued)

30 June 2007	Short term employee benefits			Post employment benefits	Share-based payments		
Key Management Pers	Cash salary and fees $	Cash salary and fees $	Non monetary benefits $	Super-annuation $	Shares $	Options $	Total $
Andrew Torrington (from 01/07/2006 - 27/05/2007)	215,035	58,333	4,087	11,629	-	-	289,084
Chris Hipwell (from 28/05/2007 - 30/06/2007)	11,086	-	-	998	-	-	12,084
Daniel Smith	222,221	-	-	-	-	-	222,221
Jason Redman	222,457	55,672	-	12,686	-	-	290,815
Rodney Samimi	244,319	46,383	6,553	12,686	-	-	309,941
Michael Martin	117,120	-	-	10,572	-	-	127,692
Total	**1,032,238**	**160,388**	**10,640**	**48,571**	**-**	**-**	**1,251,837**

C. Service agreements

Remuneration and other terms of employment for the Non Executive Chairman, Managing Director and the key management personnel are formalised in service agreements.

Noel Henderson, Non Executive Chairman
- Term of agreement - three years commencing 17 March 2006.
- Base salary, inclusive of superannuation, is reviewed annually by the Remuneration Committee.
- Termination of contract is subject to three months notice by either party. No termination benefits are payable on expiry or early termination of contract.
- Long Term Incentive (LTI) component allows for 1,000,000 shares to be paid on the anniversary of employment over a 3 year period.

Andrew Torrington, Managing Director
- Term of agreement - five years commencing 28 May 2007.
- Base salary, inclusive of superannuation, is reviewed annually by the Remuneration Committee.
- Termination of contract is subject to four months notice by either party. No termination benefits are payable on expiry or early termination of contract.

Chris Hipwell, Chief Financial Officer & Company Secretary
- Term of agreement - five years commencing 28 May 2007.
- Base salary, inclusive of superannuation, is reviewed annually by the Remuneration Committee.
- Termination of contract is subject to one months notice by either party. No termination benefits are payable on expiry or early termination of contract.

Graham Hadley, Group Manager Hoists
- Term of agreement - five years commencing 29 October 2007.
- Base salary, inclusive of superannuation, is reviewed annually by the Remuneration Committee.
- Termination of contract is subject to two months notice by either party. No termination benefits are payable on expiry or early termination of contract.

C. Service agreements (continued)

Jason Hotop, State Manager - New South Wales (Cranes)
- Term of agreement - five years commencing 29 October 2007.
- Base salary, inclusive of superannuation, is reviewed annually by the Remuneration Committee.
- Termination of contract is subject to two months notice by either party. No termination benefits are payable on expiry or early termination of contract.

Randall Eckert, State Manager - Queensland
- Term of agreement - five years commencing 20 March 2008.
- Base salary, inclusive of superannuation, is reviewed annually by the Remuneration Committee.
- Termination of contract is subject to two months notice by either party. No termination benefits are payable on expiry or early termination of contract.

Hamish Peat, State Manager - Victoria
- Term of agreement - five years commencing 10 June 2008.
- Base salary, inclusive of superannuation, is reviewed annually by the Remuneration Committee.
- Termination of contract is subject to two months notice by either party. No termination benefits are payable on expiry or early termination of contract.

Ownership of shares held by directors listed in note 26 of the financial report.

Insurance of officers

During the financial period, the Company paid premiums in respect of indemnity insurance contracts, for all Directors of the Company named in the report, as well as other Officers of the Company.

Insurance policies insure persons who are Directors or Officers of the Company against certain liabilities incurred as such by a Director or Officer, while acting in that capacity, except where liability arises out of conduct involving lack of good faith.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company are important.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the period are set out below.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:
- all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

Verticon Group Limited
Directors' Report

Non-audit services (continued)

During the year the following fees were paid or payable for services provided by the auditor of Verticon Group Limited and non-related audit firms:

	2008 $
Assurance services	
1. Audit services	
Fees paid to PricewaterhouseCoopers Australian firm:	
Audit and review of financial reports and other audit work under the *Corporations Act 2001* (Cwlth)	284,000
Total remuneration for audit services	**284,000**
2. Other assurance services	
Fees paid to PricewaterhouseCoopers Australian firm:	
Other Services	57,048
Total remuneration for other assurance services	**57,048**
Total remuneration for assurance services	**341,048**
Taxation services	
Fees paid to PricewaterhouseCoopers Australian firm:	
Tax compliance services	29,600
Fees paid to PricewaterhouseCoopers New Zealand firm:	
Tax compliance services	418
Fees paid to non PricewaterhouseCoopers firms for other tax compliance services	139,354
Total remuneration for taxation services	**169,372**

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 12.

Rounding of amounts to nearest thousand dollars

The Company is of a kind referred to in Class Order 98/0100 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 the Directors.

Noel Henderson
Chairman

Andrew Torrington
Managing Director

Signed at Melbourne, Dated this 29th day of August 2008.

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

Freshwater Place
2 Southbank Boulevard
SOUTHBANK VIC 3006
GPO Box 1331L
MELBOURNE VIC 3001
DX 77
Website:www.pwc.com/au
Telephone 61 3 8603 1000
Facsimile 61 3 8603 1999

Auditor's Independence Declaration

As lead auditor for the audit of Verticon Group Limited for the year ended 30 June 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 audit; and
b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Verticon Group Limited during the period.

Chris Dodd
Partner

Melbourne
29 August 2008

Verticon Group Limited
Corporate Governance

As a listed company with Australian Stock Exchange Limited (ASX), Verticon Group Limited must report on its main corporate governance practices by reference to the Principles and Recommendations of the ASX Corporate Governance Council (the Council). This Report is prepared with reference to the 2nd Edition of the Council's Corporate Governance Principles and Recommendations as published in August 2007 (Principles), which also contains guidelines to companies as to how they should report in relation to the Principles (Guide).

Principle 1 - Lay solid foundations for management and oversight

Recommendation 1.1 - Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

The Board of Directors has been charged by members to oversee the affairs of the Company to ensure that they are conducted appropriately and in the interests of all members. The role of the Board includes:

- guiding and approving strategic direction and business planning;
- monitoring business performance against agreed benchmarks;
- ensuring the effectiveness of internal controls and business risk management;
- appointing and monitoring the performance of the Company's Executive Director's;
- ensuring the Company complies with its responsibilities under the Corporations Act, the ASX Listing Rules, the Company's Constitution and other relevant legislation; and
- establishing and maintaining an appropriate framework of corporate governance within which Board members and management must operate.

The Board has delegated to the Managing Director the management of the day-to-day operations and administration of the Company, consistent with the objectives and policies set down by the Board. The Managing Director is directly accountable to the Board for the performance of the management team.

Recommendation 1.2 - Companies should disclose the process for evaluating the performance of senior executives

The Nomination Committee of the Board has been delegated the responsibilities of formulating, implementing and reporting upon results of the appropriate processes for the evaluation of performance of senior executives, directors and Board committees.

In the case of senior executives a formal process of Business Plan Objectives , Key Performance Indicators and Annual Targets has been put in place, the results of which are reviewed on a half yearly basis.

Recommendation 1.3 - Companies should provide the information indicated in the Guide to reporting on Principle 1.

The Company has provided this information.

Principle 2 - Structure the Board to add value

Recommendation 2.1 - *A majority of the Board should be independent directors*

Recommendation 2.2 - *The chair should be an independent director*

Recommendation 2.3 - *The roles of chair and chief executive officer should not be exercised by the same individual*

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Director's Report under the section headed "Directors".

The Board comprises five directors - four non-executive directors and one executive director (the Managing Director). Three of the non-executive directors (Messrs Henderson, Goldberger and Wieland) are assessed as not being independent due to a significant shareholding in the Company. The fourth non-executive director (Mr Sam Fink) is assessed as not being independent due to his provision of accounting services to the Company's major shareholder.

The criteria for assessing whether a director is independent are:

- the director must be a non-executive;
- not to be a substantial shareholder of the Company or otherwise associated directly with a substantial shareholder of the Company; and
- not to be a material supplier to the Company or otherwise directly with a substantial shareholder of the company.

Despite the Company not currently complying with Recommendations 2.1, 2.2 and 2.3, the Board believes its level of broad management skills and experience, financial skills and deep understanding of the construction industry allow it to guide and direct the Company in an appropriate manner.

Recommendation 2.4 - *The Board should establish a Nomination Committee*

The Board has established a Nomination Committee, the Charter of which as been posted on the Company's website at www.verticon.com.au. The Nomination Committee comprises a minimum of two directors. The current members are Noel Henderson (Chairman), David Wieland and David Goldberger.

The Directors' terms of appointment are governed by the Constitution of the Company. A Director appointed to fill a casual vacancy, or as an addition to the Board, only holds office until the next general meeting of members and must then retire. After providing for the foregoing, one-third of the remaining Directors (excluding the Managing Director) must retire at each annual general meeting of members. The term of office held by each director in office at the date of this Annual Report is set out in the Directors Report.

All Directors of the Company have direct access to the management of the Company and, where necessary, to external advisers.

Each Director has the right to request independent professional advice at the expense of the Company, which request is not to be unreasonably withheld.

Recommendation 2.5 - *Companies should disclose the process for evaluating the performance of the Board, its Committees and individual directors.*

The Nomination Committee of the Board has been delegated the responsibilities of formulating, implementing and reporting upon results of the appropriate processes for the evaluation of performance of the Board, individual directors and Board committees.

The appropriate processes for such evaluations have been initiated but the intended evaluation processes did not occur during the reporting period due to operational priorities.

<u>Recommendation 2.6</u> - Companies should provide the information indicated in the Guide to reporting on Principle 2

The Company has provided this information.

Principle 3 - Promote ethical and responsible decision-making

<u>Recommendation 3.1</u> - Companies should establish a code of conduct and disclose the code or a summary of the code as to:
3.1.1 the practices necessary to maintain confidence in the Company's integrity;

3.1.2 the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders: and
3.1.3 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Board has adopted a Code of Conduct, which is posted on the Company's website at www.verticon.com.au

<u>Recommendation 3.2</u> - Companies should establish a policy concerning trading in Company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.

The Board has adopted a Securities Trading Policy, which is posted on the Company's website at www.verticon.com.au

<u>Recommendation 3.3</u> - Companies should provide the information indicated in the Guide to reporting on Principle 3.

The Company has provided this information.

Principle 4 - Safeguard integrity in financial reporting

<u>Recommendation 4.1</u> - The Board should establish an Audit Committee

It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of asset, the maintenance of proper accounting records and the reliability of financial information as well as non financial considerations. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the consolidated entity to the Audit and Risk Committee. The Audit and Risk Committee also provide the Board with additional assurance regarding the reliability of financial information for inclusion in the financial statements.

<u>Recommendation 4.2</u> - The Audit Committee should be structured so that it:

- *consists only non-executive directors;*
- *consists of a majority of independent directors;*
- *is chaired by an independent chair, who is not chair of the Board; and*
- *has at least three members.*

The Audit and Risk Committee comprises only non-executive directors of which two members are not independent. The Chairman of the Audit and Risk Committee is not to also be the Chairman of the Board. The current members are Sam Fink (Chairman), David Wieland and David Goldberger.

The Board is satisfied that the Audit and Risk Committee has sufficient financial, public company, industry sector and business expertise to discharge its duties at this stage of the Company's development.

Recommendation 4.3 *- The Audit Committee should have a formal charter*

The Board has established an Audit and Risk Committee, the Charter of which has been posted on the Company's website at www.verticon.com.au.

The Company and Audit and Risk Committee policy is to appoint external auditors who demonstrate independence, quality and performance. The performance of the external auditor is reviewed on an annual basis.

Recommendation 4.4 *- Companies should provide the information indicated in the Guide to reporting on Principle 4.*

The Company has provided this information.

Principle 5 - Make timely and balanced disclosure

Recommendation 5.1 *- Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.*

The Board has adopted an ASX Disclosure Compliance Policy and Procedures document, which is posted on the Company's website at www.verticon.com.au

Recommendation 5.2 *- Companies should provide the information indicated in the Guide to reporting on Principle 5*

The Company has provided this information.

Principle 6 - Respect the rights of shareholders

Recommendation 6.1 *- Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.*

The Company is committed to keeping shareholders fully informed of developments and information concerning the Company. Information is communicated to shareholders and the market generally through compliance with ASX Listing Rules and the Corporations ACT 2001, by way of the Annual Report, the Half-Yearly Report, the Annual General Meeting and other meetings that may be called to obtain approval for Board recommendations. The Company also maintains a website - www.verticon.com.au - where all of the Company's ASX announcements and media releases can be viewed at any time.

Recommendation 6.2 *- Companies should provide the information indicated in the Guide to reporting on Principle 6.*

The Company has provided this information.

Principle 7 - Recognise and manage risk

Recommendation 7.1 - Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

The Directors continually monitor areas of significant business risk, recognising that there are inherent risks associated with the industry and activities in which the Company operates.

Specifically, in relation to risk oversight the Board is conscious of its responsibilities to:
- ensure compliance in legal, statutory and ethical matters;
- monitor the business environment;
- identify business opportunities; and
- monitor the systems established to ensure proper and appropriate responses to shareholder complaints and enquiries.

The Board has delegated the responsibility for the establishment and maintenance of a framework for risk oversight and the management of risk for the Company to the Audit and Risk Committee, the Charter of which has been posted on the Company's website at www.verticon.com.au

A risk framework and risk management program developed by the Company, following a comprehensive risk analysis of the Company in 2006, is monitored by the Audit and Risk Committee.

Recommendation 7.2 - The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.

The Audit and Risk Committee of the Board has been delegated the responsibilities of ensuring that management designs, implements and reports upon an appropriate risk management and internal control system to manage the Company's material business risks.

The Company currently has a series of risk management and internal control systems in place which are operating and effective. Part of those current systems include regular reporting to the Board as part of monthly management reports.

Recommendation 7.3 - The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Managing Director and the Chief Financial Officer have provided to the Board a declaration in accordance with section 295 A of the Corporations Act dated 29 August 2008 that:
- the integrity of the Company's financial statements is founded on a sound system of risk management and internal compliance and control which implements the policies of the Board; and
- the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Recommendation 7.4 - Companies should provide the information indicated in the Guide to reporting on Principle 7.

The Company has provided this information.

Verticon Group Limited
Corporate Governance

Principle 8 - Remunerate fairly and responsibly

Recommendation 8.1 - The Board should establish a Remuneration Committee

The Board has established a Remuneration Committee the Charter of which has been posted on the Company's website at www.verticon.com.au. The Remuneration Committee comprises a minimum of two non-executive directors. The current members are David Wieland (Chairman), David Goldberger and Sam Fink.

Recommendation 8.2 - Companies should clearly distinguish the structure of Non-Executive Director's remuneration from that of Executive Directors and senior executives

The Constitution of the Company provides that the aggregate remuneration of all Directors, in their capacity as Directors, must not exceed such sum as the Company in general meeting may approve. This amount, currently set by shareholders at $400,000 per annum, is to be apportioned amongst them in such manner as the Directors agree and, in default of agreement, equally. Non-Executive Directors who chair any of the Board committees do not receive additional remuneration for such duties.

The remuneration of Directors and five current senior executives of the Company are set out at page 7 of the Directors Report. The disclosure sets out the salary, fees, bonus entitlement, non-cash benefits, retirement benefits and equity related components of each of their respective remuneration packages.

There are no arrangements currently in place for payment of retirement benefits to Non-Executive Directors, other than statutory superannuation contributions.

Recommendation 8.3 - Companies should provide the information indicated in the Guide to reporting on Principle 8.

The Company has provided this information.

Verticon Group Limited

Income statement

For the year ended 30 June 2008

	Notes	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent entity 2008 $'000	Parent entity 2007 $'000
Revenue from continuing operations	5	**46,144**	37,184	**46,746**	39,311
Other income	6	**-**	383	**-**	383
Employee benefits expense		**(28,831)**	(24,147)	**(28,831)**	(24,147)
Depreciation and amortisation expense	7	**(4,800)**	(4,560)	**(4,800)**	(4,560)
Bad and doubtful debts expense	11	**(508)**	(1,121)	**(508)**	(1,121)
Finance costs	7	**(4,024)**	(4,295)	**(4,024)**	(4,295)
Equipment hire and consumables used		**(3,749)**	(2,762)	**(3,749)**	(2,762)
Inventories expensed		**-**	(281)	**-**	(281)
Impairment of goodwill	15	**(6,249)**	(243)	**(6,249)**	(243)
Impairment of assets	7	**(26,852)**	(8,072)	**(34,945)**	(8,072)
Subcontractors		**(3,234)**	(2,682)	**(3,234)**	(2,682)
Administration expenses		**(2,548)**	(2,956)	**(2,548)**	(2,956)
Rental expenses		**(1,531)**	(681)	**(1,531)**	(681)
Other expenses		**(6,905)**	(3,276)	**(6,905)**	(3,276)
Profit/(Loss) before income tax		**(43,087)**	(17,509)	**(50,578)**	(15,382)
Income tax benefit/(expense)	8	**(5,410)**	4,739	**(5,410)**	4,739
Profit/(Loss) from continuing operations		**(48,497)**	(12,770)	**(55,988)**	(10,643)
Profit/(Loss) from discontinued operations	9	**(11,026)**	3,281	**-**	**-**
Profit/(Loss) attributable to members of Verticon Group Limited		**(59,523)**	(9,489)	**(55,988)**	(10,643)
		Cents	Cents		
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:					
Basic earnings per share	35	**(62.5)**	(16.4)		
Diluted earnings per share	35	**(62.5)**	(16.4)		
Earnings per share for profit attributable to the ordinary equity holders of the company:					
Basic earnings per share	35	**(76.7)**	(12.2)		
Diluted earnings per share	35	**(76.7)**	(12.2)		

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

Verticon Group Limited

Balance sheet

As at 30 June 2008

	Notes	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent entity 2008 $'000	Parent entity 2007 $'000
ASSETS					
Current Assets					
Cash and cash equivalents	10	**63**	84	**10**	83
Trade and other receivables	11	**10,343**	17,659	**10,219**	14,387
Total current assets		**10,406**	17,743	**10,229**	14,470
Non-current Assets					
Property, plant and equipment	12	**22,284**	75,564	**22,284**	51,232
Other financial assets	13	**-**	**-**	**1,938**	10,031
Deferred tax assets	14	**-**	5,645	**-**	5,558
Intangible assets	15	**-**	15,847	**-**	6,741
Other receivables	16	**-**	-	**-**	16,857
Total non-current assets		**22,284**	97,056	**24,222**	90,419
Total assets		**32,690**	114,799	**34,451**	104,889
LIABILITIES					
Current liabilities					
Trade and other payables	17	**4,503**	5,718	**6,225**	7,179
Current Tax Liabilities		**-**	44	**-**	-
Borrowings	18	**39,901**	16,555	**39,901**	14,818
Provisions	19	**1,095**	1,009	**1,095**	950
Total current liabilities		**45,499**	23,326	**47,221**	22,947
Non-current liabilities					
Borrowings	20	**-**	47,702	**-**	41,983
Deferred tax liabilities	21	**-**	829	**-**	148
Provisions	22	**141**	157	**141**	157
Total non-current liabilities		**141**	48,688	**141**	42,288
Total liabilities		**45,640**	72,014	**47,362**	65,235
Net assets		**(12,950)**	42,785	**(12,911)**	39,654
EQUITY					
Contributed equity	23	**52,886**	49,463	**52,886**	49,463
Reserves	24	**-**	(365)	**-**	-
Retained profits	24	**(65,836)**	(6,313)	**(65,797)**	(9,809)
Total equity		**(12,950)**	42,785	**(12,911)**	39,654

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

Verticon Group Limited
Statements of changes in equity
For the year ended 30 June 2008

	Notes	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent entity 2008 $'000	Parent entity 2007 $'000
Total equity at the beginning of the financial year		**42,785**	51,139	**39,654**	50,297
Opening balance of exchange differences on translation of foreign operations recycled through the income statement	24	**365**	1,135	**-**	-
Net income recognised directly in equity		**365**	1,135	**-**	-
Profit/(loss) for the year		**(59,523)**	(9,489)	**(55,988)**	(10,643)
Total recognised income and expense for the year		**(59,158)**	(8,354)	**(55,988)**	(10,643)
Transactions with equity holders in their capacity as equity holders:					
Rights issue	23	**3,423**	-	**3,423**	-
		3,423	-	**3,423**	-
Total equity at the end of the financial year		**(12,950)**	42,785	**(12,911)**	39,654
Total recognised income and expense for the year is attributable to:					
Members of Verticon Group Limited		**(59,158)**	(8,354)	**(55,988)**	(10,643)
		(59,158)	(8,354)	**(55,988)**	(10,643)

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

Verticon Group Limited
Cash flow statement
For the year ended 30 June 2008

	Notes	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent entity 2008 $'000	Parent entity 2007 $'000
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		**62,782**	54,783	**51,428**	41,680
Payments to suppliers and employees (inclusive of goods and services tax)		**(58,693)**	(50,044)	**(51,203)**	(36,052)
		4,089	4,739	**225**	5,628
Interest received		**-**	-	**-**	-
Interest paid		**(5,388)**	(5,101)	**(3,881)**	(2,752)
Income taxes paid		**(167)**	(307)	**-**	(134)
Net cash (outflow) inflow from operating activities	33	**(1,466)**	(669)	**(3,656)**	2,742
Cash flows from investing activities					
Payments for property, plant and equipment		**(2,642)**	(12,219)	**(1,862)**	(11,397)
Proceeds from sale of property, plant and equipment		**2,017**	4,529	**1,134**	670
Proceeds from disposal of other business unit		**24,652**	-	**-**	-
Cash received from subsidiary upon consolidation		**-**	-	**-**	287
Payment of deferred consideration			(8,208)	**-**	-
Net cash (outflow) inflow from investing activities		**24,027**	(15,898)	**(728)**	(10,440)
Cash flows from financing activities					
Proceeds from issue of share capital		**3,423**	-	**3,423**	-
Proceeds from borrowings		**-**	29,490	**-**	29,490
Repayment of borrowings		**(23,224)**	(14,649)	**(15,754)**	(2,360)
Intercompany loan		**-**	-	**19,095**	(21,071)
Dividends paid to company's shareholders		**-**	-	**-**	-
Net cash (outflow) inflow from financing activities		**(19,801)**	14,841	**6,764**	6,059
Net (decrease) in cash and cash equivalents		**2,760**	(1,726)	**2,380**	(1,639)
Cash and cash equivalents at the beginning of the year		**(5,732)**	(4,014)	**(5,403)**	(3,763)
Effects of exchange rate changes on cash and cash equivalents		**2**	8	**-**	(1)
Cash and cash equivalents at end of the year	10	**(2,970)**	(5,732)	**(3,023)**	(5,403)

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

Verticon Group Limited
Notes to the financial statements
30 June 2008

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Verticon Group Limited as an individual entity and the consolidated entity consisting of Verticon Group Limited and its subsidiaries.

(a) Going concern

As at 30 June 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 year ending on that date. Although the Group is in breach of debt covenants existing at reporting date, the Group has subsequently confirmed ongoing facility arrangements with Westpac until 1 July 2010.

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 the divestment of the New Zealand business and consolidation of four plant yards into one yard in Queensland.

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

a) continued review of fleet including disposing of under performing and non-hireable assets
b) reduced yard and workshop expenditure particularly resulting from the consolidation of the yards in Queensland
c) reducing erection and dismantle costs including rigging, mobile crane and transport costs through standardisation of training, equipment and documentation
d) reduction of overheads and focus on minimising discretionary spending
e) exploit Verticon's points of difference in the market and extract higher rental rates from clients, and
f) no dividend has been declared for the full year to 30 June 2008

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. The directors have already commenced a number of these initiatives.

Business strategies

Verticon Developments No.1 Pty Ltd, a 100% owned subsidiary of Verticon Group Limited, has 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 that is expected to generate considerable profit and cash flow on completion in the 2009/2010 financial year or earlier.

The binding heads of agreement is dated 28 August 2008 and is subject to due diligence by Verticon prior to the execution of a transaction document and the following conditions precedent:

- Verticon shareholder approval if required
- approval if required by ASIC and/or the ASX
- Verticon arrangement of development and construction finance
- the other party to the head of agreement acquiring vacant possession of and clear title to the land

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.

1. Summary of significant accounting policies (continued)

(a) Going concern (continued)

Financing strategies

Westpac has provided a letter advising that it will continue to provide the existing facilities of $41.7 million to the Group until 1 July 2010. Westpac will provide a combination of interest forgiveness and interest capitalisation until 30 June 2010 by which time the Group is expected to have sold 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 that the Board continues to implement the change in strategic direction of the Group to property development. Any sale proceeds and development profits 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 confirmed that it will 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.

The financial statements for the year ended 30 June 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.

(b) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

Compliance with IFRS
Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report of Verticon Group Limited complies with International Financial Reporting Standards (IFRS) as issued by the IASB.

Historical cost convention
These financial statements have been prepared under the historical cost convention.

Critical accounting estimates
The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

1. Summary of significant accounting policies (continued)

(c) Principles of consolidation

Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Verticon Group Limited as at 30 June 2008 and the results of all subsidiaries for the year then ended. Verticon Group Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.
The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(j)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Verticon Group Limited.

(d) Segment reporting

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(e) Foreign currency translation

(i) Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Verticon Group Limited's functional and presentation currency.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

1. Summary of significant accounting policies (continued)

(e) Foreign currency translation (continued)

(iii) Group companies
The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised as a separate component of equity.

When a foreign operation is sold, a proportionate share of such exchange differences are recognised in the income statement, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

(f) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities. The amount of revenue is not considered to be probable until all contingencies relating to a sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for equipment sales when the majority of risks and rewards of ownership are transferred to the buyer.

(g) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are due for settlement within 30 days from the date of recognition.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 60 days overdue) are considered as objective evidence of impairment. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

1. Summary of significant accounting policies (continued)

(g) Trade receivables (continued)

The amount of the impairment loss is recognised in the income statement within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

(h) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified in accordance with the debt providers terms.

(i) Borrowing costs

Borrowing costs are expensed as incurred (using effective interest rate method), except where they are directly attributable to the acquisition or construction of a qualifying asset, in which case they are capitalised as part of the asset. However, the Group does not have any qualifying assets in the reporting period.

(j) Business combinations

The purchase method of accounting is used to account for all acquisitions of assets, including business combinations, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer note 1 (q)). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

1. Summary of significant accounting policies (continued)

(k) Impairment of assets

Goodwill and intangible assets that have an indefinite useful 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 tested 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, assets 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 than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(l) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(m) Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred (note 1(n)).

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

● Cranes, hoists and parts	5 to 20 years
● Other plant and equipment	3 to 15 years
● Motor vehicles	2 to 7 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Normally residual value represents the scrap value.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount of the cash generating unit the asset belongs to is greater than its estimated recoverable amount (note 1(k)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(n) Maintenance and repairs

The Group plant is required to be overhauled on a regular basis. This is managed as part of a continuous maintenance program. The costs of this maintenance are charged as expenses as incurred, except where they extend the useful life of an asset, or where they relate to the replacement of a component of an asset which has been fully depreciated or is being written off, in which case the costs are capitalised and depreciated in accordance with note 1(m) above. Other routine operating maintenance, repair and minor renewal costs are also charged as expenses as incurred.

1. Summary of significant accounting policies (continued)

(o) Employee benefits

(i) Wages and salaries and annual leave
Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave
The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Employee benefit on-costs
Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(p) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases (note 29). Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short term and long term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term.

(q) Intangible Assets

(i) Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity or CGU include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment in each region of operation (note 15).

(ii) Sign-on fees
Sign-on fees have a finite life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of the sign-on fees over their estimated useful life of 5 years.

1. Summary of significant accounting policies (continued)

(r) Investments and other financial assets

The Group determines the classification of its investments at initial recognition, depending on the purpose for which the investments were acquired and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date. At this reporting date, the Group only has financial assets classified as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non current assets. Loans and receivables are included in trade and other receivables in the balance sheet (note 11). Loans and receivables are carried at amortised cost using the effective interest method.

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired and the company believes that there is objective evidence of an impairment when a receivable is overdue for more than 60 days.

(s) Trade and other payables

These amounts represent liabilities for goods and services provided to Verticon Group Limited prior to the end of the financial period and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(t) Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(u) Income tax

The income tax expense or income for the period is the tax payable on the current period’s taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

1. Summary of significant accounting policies (continued)

u) Income tax (continued)

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future i.e. before 30 June 2009.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation legislation
Verticon Group Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Verticon Group Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Verticon Group Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group as long as other recognition criteria are met.

Verticon Group Limited has a Tax Funding and Sharing Agreement.

Assets or liabilities arising under the agreement with the tax consolidated entities are recognised as debits or credits in the current general intercompany account. Details about the agreement are disclosed in note 8.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(v) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case, it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

1. Summary of significant accounting policies (continued)

(w) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(x) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

(y) Earnings per share

(i) Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(z) 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 financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(aa) New accounting standards and interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 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.

1. Summary of significant accounting policies (continued)

(aa) New accounting standards and interpretations (continued)

(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.

(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. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on how to manage liquidity risk which is essentially managed through capital increases, if necessary, and maintaining credit lines of the Group as flexible as possible. The Group uses different methods to measure different types of risks to which it is exposed. These methods include sensitivity analysis for interest rate risk and ageing analysis for credit risk.

Risk management is carried out by the head office finance department under direction from the Board of Directors. The finance department identifies, evaluates and manages financial risks in close co-operation with the Group's operating units and subsidiaries. In order to avoid further leverage, the Group is operating to a strict budget and the cash flow is monitored on a regular basis.

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

Verticon Group Limited is mainly exposed to interest rate risk associated with its debt and anticipated transactions. As the vast majority of the revenues and expenses of the Group arise in Australian dollars, the functional currency of the Group is Australian dollars, and as a result, the Group's objective is to minimise the level of its financial risk in Australian dollar terms.

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The risk is measured using sensitivity analysis and cash flow forecasting.

The Group and the parent entity operate internationally and is exposed to foreign exchange risk arising from currency exposures to the New Zealand dollar. The head office finance department closely monitors exposures to foreign currency and has assessed the foreign exchange risk exposure to the New Zealand dollar as low. Accordingly, the Group does not cover this risk by the use of external forward exchange contracts.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risks arise on account of financial instruments being denominated in a currency that is not the functional currency; differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration. Relevant risk variables are generally all non-functional currencies in which Verticon has financial instruments. The borrowings of Verticon are denominated in Australian dollars and the volume of foreign currency transactions are limited therefore Verticon should not face with an increased risk due to volatility of foreign currencies. Other financial assets or liabilities are not material.

A sensitivity analysis of the profit/(loss) after tax from Verticon New Zealand Limited was carried out to show the effect to a 10 percent adverse/favourable movement in exchange rates when all other variables are held constant.

It is estimated that a 10 percent favourable movement in exchange rates would decrease the Group's loss in 2008 by $245,000 and an adverse movement would increase the loss by $245,000.

A sensitivity of 10 percent has been selected as this is considered reasonable when comparing the Australian dollar to the New Zealand dollar exchange rate and the volatility observed both on a historical basis and market expectations for future movements.

2. Financial risk management (continued)

(a) Market risk (continued)

(ii) Price risk
The Group is not exposed to equity securities price risk or commodity price risk.

(iii) Cash flow and fair value interest rate risk
Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Changes in the market interest rates of non-derivative financial instruments with fixed interest rates only affect income if these are measured at their fair value. As such, all financial instruments with fixed interest rates that are carried at amortised cost are not subject to cash flow interest rate risk, liabilities at fixed rates expose the Group to fair value interest rate risk. Finance lease liabilities are bearing fixed interest rates however, they are classified within one year so that the exposure is estimated to be minimal.

The Group is significantly exposed to financial market risk primarily through interest rate fluctuations affecting the cash flows payable on its borrowings bearing floating interest rate and to some extent to the fair value risk regarding its finance lease liabilities. This is due to changing Australian dollar interest rates affect the fair value of fixed interest rate liabilities and also affect the cash outflow through the variable rate debts. Considering the significant debt ratio of the Group, it is difficult to influence the interest conditions of the Group's borrowings.

Changes in market interest rates affect the interest income or expense of non-derivative variable-interest financial instruments, the interest payments of which are not designated as hedged items of cash flow hedges against interest rate risks. Given that the Group had $30,749,000 floating rate debt as of 30 June 2008 (2007: $53,670,000), if interest rates had changed by 100 basis points from the year end rates, it would have caused (ceteris paribus) the interest payment to increase by approximately $307,000 (2007: $537,000) annually, while a similar decrease would cause the same decrease in interest payments.

(iv) Summarised sensitivity analysis

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate risk and shows the effect if interest rates had increased or decreased by 100 basis points from the year end rate with all other variables held constant.

A sensitivity of 100 basis points was selected as this is considered reasonable given the current level of both short term and long term Australian dollar interest rates. An increase of 100 basis points is reasonably possible in the current environment and confirmed by market expectations.

Verticon Group Limited

Notes to the financial statements

30 June 2008

2. Financial risk management (continued)

(iv) Summarised sensitivity analysis (continued)

Consolidated 30 June 2008	**Carrying Amount $'000**	**Interest Rate Risk -100 bps Profit $'000**	**Interest Rate Risk -100 bps Equity $'000**	**Interest Rate Risk +100 bps Profit $'000**	**Interest Rate Risk +100 bps Equity $'000**
Financial Assets					
Cash and cash equivalents	63	(1)	(1)	1	1
Financial Liabilities					
Bank overdraft	(3,033)	30	30	(30)	(30)
Commercial bill	(27,716)	277	277	(277)	(277)
Total	**(30,686)**	**306**	**306**	**(306)**	**(306)**

Consolidated 30 June 2007	**Carrying Amount $'000**	**Interest Rate Risk -100 bps Profit $'000**	**Interest Rate Risk -100 bps Equity $'000**	**Interest Rate Risk +100 bps Profit $'000**	**Interest Rate Risk +100 bps Equity $'000**
Financial Assets					
Cash and cash equivalents	84	(1)	(1)	1	1
Financial Liabilities					
Bank overdraft	(5,816)	58	58	(58)	(58)
Commercial bill	(47,854)	479	479	(479)	(479)
Total	**(53,586)**	**536**	**536**	**(536)**	**(536)**

Parent 30 June 2008	**Carrying Amount $'000**	**Interest Rate Risk -100 bps Profit $'000**	**Interest Rate Risk -100 bps Equity $'000**	**Interest Rate Risk +100 bps Profit $'000**	**Interest Rate Risk +100 bps Equity $'000**
Financial Assets					
Cash and cash equivalents	10	-	-	-	-
Financial Liabilities					
Bank overdraft	(3,033)	30	30	(30)	(30)
Commercial bill	(27,716)	277	277	(277)	(277)
Total	**(30,739)**	**307**	**307**	**(307)**	**(307)**

Parent 30 June 2007	**Carrying Amount $'000**	**Interest Rate Risk -100 bps Profit $'000**	**Interest Rate Risk -100 bps Equity $'000**	**Interest Rate Risk +100 bps Profit $'000**	**Interest Rate Risk +100 bps Equity $'000**
Financial Assets					
Cash and cash equivalents	83	(1)	(1)	1	1
Financial Liabilities					
Bank overdraft	(5,486)	55	55	(55)	(55)
Commercial bill	(40,728)	407	407	(407)	(407)
Total	**(46,131)**	**461**	**461**	**(461)**	**(461)**

2. Financial risk management (continued)

(v) Other price risk

As at 30 June 2008 and 30 June 2007, the Group did not hold any material investments, which could be affected by risk variables such as stock exchange prices or other indices.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The maximum exposure to credit risk is partly represented by the carrying amounts of the financial assets that are carried in the balance sheet.

Cash and cash equivalents held by the Group are immaterial. Further, excess Australian dollar cash is used for repayment of the Australian dollar denominated loans and borrowings, therefore, the credit risk related to Australian dollar cash is very limited.

Concentrations of credit risk relating to trade receivables are limited due to the policies in place that were designed to ensure sales are made to customers with an appropriate credit history.

The following table represents the Group's exposure to credit risk in 2007 and 2008:

	Consolidated		**Parent entity**	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Trade receivables	**5,067**	12,380	**4,982**	5,271
Cash and cash equivalents	**63**	84	**10**	83
	5,130	12,464	**4,992**	5,354

The credit risk exposure is not significantly different for any of the segments of the Group considering the similarity of the activities and customers of the two segments.

(c) Liquidity risk

Liquidity risk is the risk that an entity may encounter difficulty in meeting obligations associated with financial liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Verticon aims at maintaining flexibility in funding by keeping committed credit lines available. Refer to note 1(a).

The Group and the parent entity had access to the following undrawn borrowing facilities at the reporting date:

	Consolidated 2008	Consolidated 2007	**Parent entity 2008**	Parent entity 2007
Floating rate				
- Expiring within one year (bank overdraft and bill facility)	**1,967**	1,175	**1,967**	514
	1,967	1,175	**1,967**	514

2. Financial risk management (continued)

(c) Liquidity risk (continued)

The table below analyses the Group and the parent entity's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Refer to note 18 for classification of debt.

Consolidated At 30 June 2008	Less than 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000
Bank overdraft	3,033	-	-	-
Bills payable	27,716	-	-	-
Finance lease liabilities	9,152	-	-	-
Total	**39,901**	-	-	-

Consolidated At 30 June 2007	Less than 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000
Bank overdraft	5,816	-	-	-
Bills payable	47,854	-	-	-
Finance lease liabilities	1,282	1,024	8,281	-
Total	**54,952**	**1,024**	**8,281**	-

Parent At 30 June 2008	Less than 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000
Bank overdraft	3,033	-	-	-
Bills payable	27,716	-	-	-
Finance lease liabilities	9,152	-	-	-
Total	**39,901**	-	-	-

Parent At 30 June 2007	Less than 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000
Bank overdraft	5,486	-	-	-
Bills payable	40,728	-	-	-
Finance lease liabilities	1,282	1,024	8,281	-
Total	**47,496**	**1,024**	**8,281**	-

2. Financial risk management (continued)

(d) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Since the financial statements have negative net assets of $12,950,000 it is crucial to manage capital risk.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return to capital shareholders, issue new shares or sell assets to reduce debt. Refer to expected measures at note 1(a).

(e) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

The Group does not have financial assets or liabilities that would be classified as fair value through the income statement. Financial assets and liabilities are measured at amortised cost. Fair value estimations are based on valuation techniques as the Group does not have financial assets or liabilities that would be quoted on an active market. Changes in assumptions regarding the determination of the fair value would not have a significant influence on the financial statements.

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The Directors do not believe there are any estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(i) Estimated impairment of goodwill
The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy note stated in note 1(k). As at 30 June 2008, the carrying value of the Group's goodwill is nil. During the year an impairment of $14.84m was recognised refer to note 15. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to note 15 for details of these assumptions and the potential impact of changes to the assumptions.

Critical judgements in applying the entity's accounting policies

During the year the consolidated entity reassessed the carrying amount of its fixed assets for indicators of impairment. 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.

Detail of impairment of assets is set out in Note 12.

4. 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	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000
Segment revenue						
Segment revenue from sales to external customers	**46,144**	37,184	**3,974**	10,450	**50,118**	47,634
Segment result						
Segment profit before income tax	**(43,087)**	(17,509)	**(11,499)**	3,684	**(54,586)**	(13,825)
Income tax expense	**(5,410)**	4,739	**473**	(403)	**(4,937)**	4,336
Profit for the year	**(48,497)**	(12,770)	**(11,026)**	3,281	**(59,523)**	(9,489)
Segment assets and liabilities						
Segment assets	**32,513**	73,790	**177**	41,009	**32,690**	114,799
Segment liabilities	**45,424**	65,235	**216**	6,779	**45,640**	72,014
Other segment information						
Acquisition of property plant and equipment, intangibles and other non current segment assets	**3,231**	11,397	**743**	822	**3,974**	12,219
Depreciation and amortisation expense	**4,800**	4,560	**843**	1,826	**5,643**	6,386
Impairment of goodwill (note 15)	**6,249**	243	**8,591**	-	**14,840**	243
Impairment of assets	**26,852**	8,072	**450**	148	**27,302**	8,220

4. Segment information (continued)

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.

5. Revenue

	Consolidated		Parent entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
From continuing operations				
Sales revenue				
Sales of services	**45,349**	36,194	**45,951**	36,194
Sales of goods	**795**	990	**795**	990
	46,144	37,184	**46,746**	37,184
Other Revenue				
Dividend Income	-	-	**-**	708
Interest	**-**	-	**-**	1,419
	46,144	37,184	**46,746**	39,311
From discontinued operations (note 9)				
Sales of services	**3,965**	10,450	**-**	-
	3,965	10,450	**-**	-
Other revenue				
Interest	**9**	-	**-**	-
	3,974	10,450	**-**	-

6. Other income

Net gain on disposal of property plant and equipment	**-**	383	**-**	383
	-	383	**-**	383

7. Expenses

	Consolidated		Parent entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Profit before income tax includes the following specific expenses:				
Depreciation and amortisation				
Plant and Equipment	**3,972**	3,948	**3,972**	3,948
Leasehold improvements	**-**	4	**-**	4
Plant and Equipment under finance lease	**628**	408	**628**	408
	4,600	4,360	**4,600**	4,360
Amortisation of sign on fees	**200**	200	**200**	200
	4,800	4,560	**4,800**	4,560
Finance costs				
Interest and finance charges paid/payable	**4,024**	4,295	**4,024**	4,295
	4,024	4,295	**4,024**	4,295
Net loss on disposal of property plant and equipment (excluding property, plant and equipment sold as part of the New Zealand business unit - refer to note 9 and note 5)	**232**	-	**232**	-
Rental expense relating to operating leases				
Minimum lease payments	**1,531**	681	**1,531**	681
Defined contribution superannuation expenses	**1,559**	1,546	**1,559**	1,546
Impairment of assets				
Investment	**-**	-	**8,093**	-
Sign on fees	**292**	-	**292**	-
Plant and equipment	**26,560**	8,072	**26,560**	8,072
	26,852	8,072	**34,945**	**8,072**
Impairment of goodwill	**6,249**	243	**6,249**	243

8. Income tax expense

	Consolidated		Parent entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
(a) Income tax expense				
Current tax	**37**	-	**-**	-
Deferred tax	**4,816**	(4,739)	**5,410**	(4,739)
Under (over) provided in prior years	**85**	-	**-**	-
	4,938	(4,739)	**5,410**	(4,739)
Income tax expense is attributable to:				
Profit/(Loss) from continuing operations	**5,410**	(4,739)	**5,410**	(4,739)
Profit/(Loss) from discontinued operations	**(472)**	403	**-**	-
Aggregate income tax expense	**4,938**	(4,336)	**5,410**	(4,739)
Deferred income tax (revenue) expense included in income tax expense comprises:				
Decrease (increase) in deferred tax assets (note 14)	**5,645**	(3,781)	**5,558**	(3,781)
(Decrease) increase in deferred tax liabilities (note 21)	**(829)**	(807)	**(148)**	(1,092)
Current tax expense	**-**	134	**-**	134
	4,816	(4,454)	**5,410**	(4,739)
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit/(Loss) from continuing operations before income tax expense	**(43,087)**	(17,509)	**(50,578)**	(15,382)
Profit/(Loss) from discontinued operations before income tax expense	**(10,232)**	3,684	**-**	-
	(53,319)	(13,825)	**(50,578)**	(15,382)
Tax at the Australian tax rate of 30% (2007 - 30%)	**(15,996)**	(4,148)	**(15,173)**	(4,615)
Tax expense not provided for in current year	**-**	-	**-**	-
Tax	**(15,996)**	(4,148)	**(15,173)**	(4,615)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Goodwill impairment	**4,454**	-	**1,875**	-
Investment impairment	**-**		**2,428**	
Sundry items	**(314)**	(304)	**(317)**	(124)
	4,140	(304)	**3,986**	(124)
Difference in overseas tax rates	**37**	136	**-**	-
Under (over) provision in prior year	**85**	(20)	**-**	-
Deferred tax asset not recognised	**8,374**	-	**8,374**	
Tax losses not recognised	**8,298**	-	**8,223**	
Income tax (benefit)/expense	**4,938**	(4,336)	**5,410**	(4,739)

8. Income tax expense (continued)

A Deferred tax asset has not been recognised in respect of temporary differences of $8,374,000 due to the lack of taxable temporary differences. Additionally, the Group has not recognised the deferred tax asset and current year tax losses of $8,298,000.

The total amount of tax losses carried forward is $36,225,000 for which a deferred tax asset of $10,868,000 has now been recognised.

Tax consolidation legislation

Verticon Group Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation from 1 September 2005, when Verticon Group Limited acquired its controlled entities.

The head entity, Verticon Group Limited, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Verticon Group Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Verticon Group Limited has a Tax Funding and Sharing Agreement. Under the Agreement the wholly-owned entities fully compensate Verticon Group Limited for any current tax payable assumed and are compensated by Verticon Group Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Verticon Group Limited under tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial accounts.

Assets or liabilities arising under the agreement with the tax consolidated entities are recognised as debits or credits in the current general intercompany account.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

Verticon Group Limited
Notes to the financial statements
30 June 2008

9. Discontinued operation

(a) Description

During the year, 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 4 - segment information. Refer to note 35 for earnings per share.

(b) Financial performance and cash flow information

The financial performance and cash flow information presented are for the year ended 30 June 2008 and 30 June 2007.

	Consolidated		Parent entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Revenue (note 5)	**3,974**	10,450	**-**	-
Other income	**-**	2,418	**-**	-
Expenses	**(7,210)**	(9,036)	**-**	-
Impairment of assets (note 12)	**(450)**	(148)		
Impairment of goodwill (note 15)	**(8,591)**			
Profit/(loss) before income tax	**(12,277)**	3,684	**-**	-
Income tax benefit/(expense)	**1,086**	(403)	**-**	-
Profit/(loss) after income tax of discontinued operations	**(11,191)**	3,281	**-**	-
Gain on sale of division before income tax	**2,045**	-	**-**	-
Income tax expense	**(613)**	-	**-**	-
	1,432	-	**-**	-
Effect of recycled foreign currency translation reserve	**(1,267)**			
Gain on sale of the division after income tax	**165**	-	**-**	-
Profit/(loss) from discontinued operations	**(11,026)**	3,281	**-**	-
Net cash inflow from operating activities	**2,190**	(3,411)		
Net cash inflow (outflow) from investing activities (2008 includes an inflow of $24,652,000 from the sale of the division)	**24,755**	(5,458)	**-**	-
Net cash outflow from financing activities	**(26,565)**	8,782		
Net increase in cash generated by the division	**380**	(87)	**-**	-

9. Discontinued operation (continued)

(c) Carrying amounts of assets and liabilities

The carrying amounts of assets and liabilities disposed of as at the date of the final sale (31 January 2008) and June 2007 are:

	Consolidated		Parent entity	
	31 January 2008 $'000	30 June 2007 $'000	**31 January 2008 $'000**	30 June 2007 $'000
Property, plant and equipment	**22,584**	24,332	**-**	-
Provision for legal costs	**50**	-	**-**	-
Total assets	**22,634**	24,332	**-**	-
Employee provisions	**(27)**	(59)	**-**	-
Total liabilities	**(27)**	(59)	**-**	-
Net assets	**22,607**	24,273	**-**	-

(d) Details of the sale of the division

Consideration received:-				
Cash	**24,652**	-	**-**	-
Carrying amount of net assets sold	**(22,607)**	-	**-**	-
Gain on sale before income tax	**2,045**	-	**-**	-
Income tax expense	**(613)**	-	**-**	-
Effect of recycled foreign currency translation reserve	**(1,267)**			
Gain on sale after income tax	**165**	**-**	**-**	**-**

10. Current assets - Cash and cash equivalents

	Consolidated		Parent entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Cash at bank and on hand	**63**	84	**10**	83
	63	84	**10**	83

(a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above	**63**	84	**10**	83
Bank overdrafts (note 18)	**(3,033)**	(5,816)	**(3,033)**	(5,486)
Balances per statement of cash flows	**(2,970)**	(5,732)	**(3,023)**	(5,403)

(b) Interest rate exposure

The Group's and the parent entity's exposure to interest rate risk is discussed in note 2.

11. Current assets - Trade and other Receivables

Trade receivables	**5,178**	12,654	**5,087**	5,521
Provision for impairment of receivables	**(111)**	(274)	**(105)**	(250)
	5,067	12,380	**4,982**	5,271
Intercompany loan receivable	**-**	-	**-**	4,214
Other receivables	**1,338**	536	**1,299**	378
Accrued revenue	**3,616**	3,938	**3,616**	3,732
Prepayments	**322**	805	**322**	792
	10,343	17,659	**10,219**	14,387

(a) Impaired trade receivables

As at 30 June 2008 current trade receivables of the Group with a nominal value of $906,000 (2007: $1,162,000) were impaired. The amount of the provision was $111,000 (2007: $274,000). Trade receivables are assessed for impairment on an individual basis. The individually impaired receivables mainly relate to customers which are in unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered.

Movements in the provision for impairment of receivables including the New Zealand discontinued operation are as fo

At 1 July	**274**	64	**250**	64
Provision of impairment recognised during the year	**1,287**	1,372	**752**	1,307
Receivables written off during the year as uncollectible	**(906)**	(1,162)	**(508)**	(1,121)
Unused amount reversed	**(544)**	-	**(389)**	-
	111	274	**105**	250

11. Current assets - Trade and other Receivables (continued)

The creation and release of the provision for impaired receivables has been included in 'other expenses' in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

(b) Past due but not impaired

As of 30 June 2008, trade receivables of $1,662,000 (2007: $2,626,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Consolidated		**Parent entity**	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Up to 3 months	**1,581**	924	**1,496**	556
3-6 months	**81**	623	**81**	245
Over 6 months	**-**	1,079	**-**	1,079
	1,662	2,626	**1,577**	1,880

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes it is expected that these amounts will be received when due.

(c) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the Group. Collateral is not normally obtained.

(d) Foreign exchange and interest rate risk

Information about the Group's and the parent entity's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in note 2.

(e) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

There is no concentration of credit risk with respect to current receivables, as the Group has a large number of customers, internationally dispersed. Refer to note 2 for more information on the risk management policy of the Group.

12. Non current assets - Property, plant and equipment

Consolidated	Work in progress $'000	Leasehold improvements $'000	Plant and equipment $'000	Leased plant & equipment $'000	Total $'000
Year ended 30 June 2007					
Opening net book amount	122	34	77,590	4,779	82,525
Additions	-	-	5,002	7,217	12,219
Impairment Loss	-	-	(8,220)	-	(8,220)
Disposals	-	-	(7,428)	-	(7,428)
Transfer of completed assets to other PP&E	(122)	-	122	-	-
Depreciation expense	-	(4)	(5,774)	(408)	(6,186)
Exchange Differences	-	-	2,654	-	2,654
Carrying amount at 30 June 2007	-	30	63,946	11,588	75,564
At 30 June 2007					
- Cost	-	35	72,957	12,271	85,263
Accumulated depreciation	-	(5)	(9,011)	(683)	(9,699)
Net book amount	-	30	63,946	11,588	75,564
Year ended 30 June 2008					
Opening net book amount	-	30	63,946	11,588	75,564
Additions	-	-	2,605	1,369	3,974
Impairment Loss *	-	(30)	(24,921)	(2,059)	(27,010)
Disposals	-	-	(21,792)	-	(21,792)
Transfer of completed assets to other PP&E	-	-	3,212	(3,212)	-
Depreciation expense	-	-	(4,815)	(628)	(5,443)
Exchange Differences	-	-	(3,009)	-	(3,009)
Carrying amount at 30 June 2008	-	-	15,226	7,058	22,284
At 30 June 2008					
- Cost	-	-	52,135	9,502	61,637
Accumulated depreciation	-	-	(36,909)	(2,444)	(39,353)
Net book amount	-	-	15,226	7,058	22,284

* The impairment loss of $27,010,000 comprises $26,560,000 in Australia and $450,000 in New Zealand.

12. Non current assets - Property, plant and equipment (continued)

Parent entity	Work in progress $'000	Leasehold improvements $'000	Plant and equipment $'000	Leased plant & equipment $'000	Total $'000
Year ended 30 June 2007					
Opening net book amount	109	34	46,197	4,779	51,119
Additions	-	-	4,180	7,217	11,397
Additions through acquisition of entities	-	-	3,240	-	3,240
Impairment Loss	-	-	(8,072)	-	(8,072)
Disposals	-	-	(287)	-	(287)
Transfer of completed assets to other PP&E	(109)	-	109	-	-
Transfer of assets between regions	-	-	(1,805)	-	(1,805)
Depreciation expense	-	(4)	(3,948)	(408)	(4,360)
Carrying amount at 30 June 2007	-	30	39,614	11,588	51,232
At 30 June 2007					
- Cost	-	35	48,210	12,245	60,490
Accumulated depreciation	-	(5)	(8,596)	(657)	(9,258)
Net book amount	-	30	39,614	11,588	51,232
Year ended 30 June 2008					
Opening net book amount	-	30	39,614	11,588	51,232
Additions	-	-	1,862	1,369	3,231
Additions through acquisition of entities	-	-	-	-	-
Impairment Loss	-	(30)	(24,471)	(2,059)	(26,560)
Disposals	-	-	(1,366)	-	(1,366)
Transfer of completed assets to other PP&E	-	-	3,212	(3,212)	-
Transfer of assets between regions	-	-	347	-	347
Depreciation expense	-	-	(3,972)	(628)	(4,600)
Carrying amount at 30 June 2008	-	-	15,226	7,058	22,284
At 30 June 2008					
- Cost	-	-	52,135	9,502	61,637
Accumulated depreciation	-	-	(36,909)	(2,444)	(39,353)
Net book amount	-	-	15,226	7,058	22,284

Non-current assets pledged as security

Refer to note 18 for information on non-current assets pledged as security by the parent and its controlled entities.

12. Non current assets - Property, plant and equipment (continued)

Impairment of assets

Management has implemented strategies to improve the financial performance of the Group during the year. These strategies include the disposal of assets that were not considered part of the company's core business and to identify potential sale opportunities for underperforming divisions and assets. The reassessment included considering the assumptions used to determine asset values including hireable lives of equipment and maintenance requirements. The reassessments were undertaken in October 2007 and again at 30 June 2008 with the following impairments of property, plant and equipment being recognised:

	$'000
October 2007	**17,914**
June 2008	**9,096**
	27,010

The recoverable amount of property, plant and equipment is determined based on value in use calculations. Management has estimated value in use calculations by applying an industry based multiple to Group operating results attributable to the assets and considering the remaining estimated lives of the assets.

A summary of impairment allocation is presented below:

	2008 $'000	2007 $'000
Australia	**26,852**	8,072
New Zealand	**450**	148
	27,302	8,220

13. Non-current assets - Other financial assets

	Parent entity	
	2008 $'000	2007 $'000
Shares in Subsidiaries (Note 31)	**1,938**	10,031
Movement in shares in subsidiaries		
Impairment of investment	**8,093**	
	8,093	

The business conducted by Verticon New Zealand Ltd was disposed of during the current year. As a result, the recoverable amount of the Parent's investment in Verticon New Zealand Ltd was reassessed. The recoverable amount is represented by the net asset value of the subsidiary. Therefore the investment held by the Parent has been impaired by $8.09m.

14. Non-current assets - Deferred tax assets (continued)

	Consolidated		Parent entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss				
Doubtful debts	**31**	83	**31**	75
Employee benefits	**525**	377	**525**	346
Other provisions/accruals	**175**	158	**175**	110
Depreciation and impairment	**7,641**	893	**7,641**	893
Tax Losses	**8,223**	3,694	**8,223**	3,694
	16,595	5,205	**16,595**	5,118
Amounts recognised directly in equity				
IPO Costs	**215**	440	**215**	440
Deferred tax asset reduction	**(16,810)**	-	**(16,810)**	-
Deferred tax assets	**-**	5,645	**-**	5,558

Movements:

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent entity 2008 $'000	Parent entity 2007 $'000
Opening balance at 1 July	**5,645**	1,864	**5,558**	1,777
Credited (charged) to the income statement (note 8)	**(5,645)**	845	**(5,558)**	825
Credited (charged) to equity	**-**	-	**-**	-
Movement in tax losses recognised	**-**	2,956	**-**	2,956
Under/(over) provision in prior year	**-**	(20)	**-**	-
Closing balance at 30 June	**-**	5,645	**-**	5,558

15. Non-current assets - Intangible assets

Consolidated	Sign on Fee $'000	Goodwill $'000	Total $'000
Year ended 30 June 2007			
Opening net book amount	692	14,899	15,591
Additions/(Disposals)	-	(175)	(175)
Impairment charge	-	(243)	(243)
Exchange differences	-	874	874
Amortisation charge	(200)	-	(200)
Closing net book amount	492	15,355	15,847
At 30 June 2007			
Cost	1,000	15,654	16,654
Accumulated amortisation and impairment	(508)	(299)	(807)
Net book amount	492	15,355	15,847
Year ended 30 June 2008			
Opening net book amount	492	15,355	15,847
Additions/(Disposals)	-	-	-
Impairment charge	(292)	(14,840)	(15,132)
Exchange differences	-	(515)	(515)
Amortisation charge	(200)	-	(200)
Closing net book amount	-	-	-
At 30 June 2008			
Cost	-	-	-
Accumulated amortisation and impairment	-	-	-
Net book amount	-	-	-

(a) Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to region of operation.

A summary of goodwill allocation is presented below:

	2008 $'000	2007 $'000
Queensland	**-**	4,796
New South Wales	**-**	1,453
New Zealand	**-**	9,106
	-	15,355

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations have been determined using an industry based multiple to operating results for each CGU.

15. Non-current assets - Intangible assets (continued)

(b) Impairment charge

The impairment charge of $14,840,000 (2007: $243,000) arose in the Queensland, New South Wales and New Zealand CGUs. The impairment charge recognised on the goodwill allocated to the New Zealand business of $8.59m is shown as part of the results of the discontinued operations in the income statement.

The impairment charge arose for the reasons outlined in note 12.

(c) Sign on fees

Sign on fees relate to the payments made on initial acquisition of businesses to retain key staff in the Group for minimum specified periods. The carrying amount of the asset was fully impaired during the year.

16. Non-current assets - Other receivables

	Parent entity	
	2008	2007
	$'000	$'000
Intercompany loan receivable	**-**	16,857
	-	16,857

(a) Impaired receivables and receivables past due date

None of the non-current other receivables are impaired or past due but not impaired.

17. Current liabilities - Trade and other payables

	Consolidated		Parent entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Trade payables	**865**	2,616	**764**	1,324
Payable to subsidiary	**-**	-	**1,938**	4,145
Accruals	**2,332**	1,538	**2,241**	940
Other payables	**1,306**	1,564	**1,282**	770
	4,503	5,718	**6,225**	7,179

(a) Risk exposures

Information about the Group's and the parent entity's exposure to foreign exchange risk is provided in note 2.

18. Current liabilities - Borrowings

	Consolidated		Parent entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Secured				
Bank overdrafts	**3,033**	5,816	**3,033**	5,486
Bank bills	**27,716**	9,457	**27,716**	8,050
Lease liabilities (Note 29)	**9,152**	1,282	**9,152**	1,282
	39,901	16,555	**39,901**	14,818

As at 30 June 2008, Verticon Group Limited is in breach of debt covenants contained in funding agreements with their financier in relation to debt service coverage. The carrying amount of loans payable in default as at 30 June 2008 is $30.75m and the lease liability is $9.15m. This balance has been classified as a current liability in the financial statements. The default has not been remedied although the terms of the loan agreements have been renegotiated subsequent to the reporting date. Refer to note 1(a) for further detail.

(a) Total secured liabilities and assets pledged as security

The total secured liabilities (current and non-current) are as follows:

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent entity 2008 $'000	Parent entity 2007 $'000
Bank overdrafts and bank bills	**30,749**	53,670	**30,749**	46,214
Lease liabilities	**9,152**	10,587	**9,152**	10,587
Total secured liabilities	**39,901**	64,257	**39,901**	56,801

The bank loans and overdraft of the Group are secured by a fixed and floating charge over the assets of the Group.

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

The bank overdraft facilities may be drawn at any time, is subject to annual review and repayable on demand from the bank. The unsecured bill acceptance facility may be drawn at any time and is subject to annual review.

(b) Risk exposures

Details of the Group's exposures to risks arising from current and non current borrowings are set out in note 2.

18. Current liabilities - Borrowings (continued)

(c) Fair value

The carrying amounts and fair values of borrowings at balance date are:

	2008 Carrying amount $'000	**2008 Fair value $'000**	2007 Carrying amount $'000	2007 Fair value $'000
On balance sheet				
Non traded financial liabilities				
Bank Overdrafts	**3,033**	**3,033**	5,816	5,816
Bills payable	**27,716**	**27,716**	47,854	47,854
Finance leases	**9,152**	**9,152**	10,587	10,587
	39,901	**39,901**	64,257	64,257

None of the classes are readily traded on organised markets in standardised form.

Fair value is inclusive of costs which would be incurred on a settlement of a liability. The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant.

(d) Amounts not expected to be due within the next 12 months

Lease liabilities are presented as current due to the restrictions on loan covenants.

	Consolidated		**Parent entity**	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Lease liabilities	**8,077**	**-**	**8,077**	**-**
	8,077	**-**	**8,077**	**-**

19. Current liabilities - Provisions

Annual Leave	**1,095**	996	**1,095**	937
Long Service Leave	**-**	2	**-**	2
Sick Leave	**-**	11	**-**	11
	1,095	1,009	**1,095**	950

20. Non-current liabilities - Borrowings

	Consolidated		Parent entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Secured				
Bank bills	**-**	38,397	**-**	32,678
Lease liabilities (note 29)	**-**	9,305	**-**	9,305
Total secured non-current borrowings	**-**	47,702	**-**	41,983
Total non-current borrowings	**-**	47,702	**-**	41,983

As at 30 June 2008, Verticon Group Limited is in breach of debt covenants contained in funding agreements with their financier in relation to debt service coverage. The carrying amount of loans payable has been classified as current liabilities, refer to note 18.

(b) Risk exposures
Information about the Group's and parent entity's exposure to interest rate and foreign currency changes is provided in note 2.

21. Non-current liabilities - Deferred tax liabilities

	Consolidated		Parent entity	
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss				
Identifiable intangibles	**-**	148	**-**	148
Prepayments	**-**	-	**-**	-
Depreciation	**-**	681	**-**	-
	-	829	**-**	148
Deferred tax liabilities	**-**	829	**-**	148
Movements				
Opening balance at 1 July	**829**	1,636	**148**	1,240
Charged/(credited) to the income statement (note 8)	**(829)**	(847)	**(148)**	(1,092)
Under provision in prior year	**-**	40	**-**	-
Closing balance at 30 June	**-**	829	**-**	148

22. Non-current liabilities - Provisions

	Consolidated		Parent entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Employee benefits - long service leave	**141**	157	**141**	157
	141	157	**141**	157

23. Contributed equity

	2008	2007	**2008**	2007
	Shares	Shares	**$'000**	$'000
(a) Share capital				
Ordinary shares - Fully paid	**125,157,358**	62,599,679	**52,886**	49,463

(b) Movement in ordinary share capital:

Date	**Details**	**Number of shares**	**Issue price**	**$'000**
1 July 2007	Opening balance	62,599,679		49,463
3 April 2008	Rights issue	62,557,679	$0.056	3,503
		125,157,358		52,966
	Less: Transaction costs arising on rights issue			(80)
30 June 2008	Balance	125,157,358		52,886

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(d) Dividend Reinvestment Plan

The Company has established a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid cash. At the date of this report, the Dividend Reinvestment Plan had not been activated.

(e) Directors and specified Executives

Disclosures relating to directors and specified executives are set out in note 26.

(f) Rights issue

On 27 February 2008 the company invited its shareholders to subscribe to a non-renounceable rights issue of 62,557,679 ordinary shares at an issue price of $0.056 per share on the basis of 1 share for every 1 ordinary shares held on 6 March 2008. There were 9,778,641 shares accepted by existing shareholders and the remaining balance of 52,739,038 shares was issued to the underwriter, Taraville Pty Ltd.

24. Reserves and retained profits

	Consolidated		Parent entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
(a) Reserves				
Foreign currency translation reserve	**-**	(365)	**-**	-
	-	(365)	**-**	-
Movements:				
Foreign currency translation reserve				
Balance 1 July	**(365)**	(1,500)	**-**	-
Opening balance of exchange differences on translation of foreign operations recycled through the income statement	**365**	1,135	**-**	-
Balance 30 June	**-**	(365)	**-**	-

(b) Retained profits

Movements in retained profits were as follows:

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent entity 2008 $'000	Parent entity 2007 $'000
Balance 1 July	**(6,313)**	3,176	**(9,809)**	834
Net profit/(loss) for the year	**(59,523)**	(9,489)	**(55,988)**	(10,643)
Balance 30 June	**(65,836)**	(6,313)	**(65,797)**	(9,809)

(c) Nature and purpose of reserves

(i) Foreign currency translation reserve
Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve, as described in note 1(e). The reserve is recognised in profit and loss when the net investment is disposed of.

25. Dividends

(a) Ordinary shares

No dividends were paid to members during the financial year or the prior year.

26. Key management personnel disclosures

(a) Directors

The following persons were directors of Verticon Group Limited during the financial year:

(i) Chairman - Non Executive
Noel Henderson

(ii) Executive Directors
Andrew Torrington, Managing Director

(iii) Non Executive Directors
David Goldberger
David Wieland
Sam Fink

(b) Key management personnel

The following persons also had authority and responsibility for planning, directing and controlling activities of the group, directly or indirectly during the financial year:

Name	*Position*	*Employer*
C Hipwell	Chief Financial Officer & Company Secretary	Verticon Group Limited
G Hadley	Group Manager - Hoists (from 29 October 2007)	Verticon Group Limited
J Hotop	State Manager - Cranes - New South Wales (from 29 October 2007)	Verticon Group Limited
R Eckert	State Manager - Queensland (from 20 March 2008)	Verticon Group Limited
H Peat	State Manager - Victoria (from 10 June 2008)	Verticon Group Limited
D Smith	General Manager - New Zealand (until 30 March 2008)	Verticon New Zealand Limited
J Redman	General Manager - New South Wales (until 28 November 2007)	Verticon Group Limited
R Samimi	General Manager - Queensland (until 14 December 2007)	Verticon Group Limited
M Martin	State Manager - Victoria (until 20 June 2008)	Verticon Group Limited

(c) Key management personnel compensation

Details of the nature and amount of each element of the emoluments of each Director and key management personnel of Verticon Group Limited are set out in the following tables:

	Consolidated		**Parent**	
	2008	2007	**2008**	2007
	$	$	**$**	$
Short term employee benefits	**1,833,191**	2,076,597	**1,592,367**	1,854,376
Post-employment benefits	**99,239**	90,991	**99,239**	90,991
Share-based payments	**114,676**	139,510	**114,676**	139,510
	2,047,106	2,307,098	**1,806,282**	2,084,877

26. Key management personnel disclosures (continued)

(d) Management share transactions

Share holdings

The numbers of shares in the Company held during the financial year by each Director of Verticon Group Limited and key management personnel of the Group, including their personally related entities, are set out below.

2008 Name	Balance at the start of the year	Changes during the year	Balance at the end of the year
Directors of Verticon Group Limited			
Ordinary shares			
Noel Henderson	1,695,800	4,579,134	6,274,934
Andrew Torrington	100,000	361,880	461,880
David Goldberger *	8,119,167	27,289,519	35,408,686
David Wieland *	8,119,166	27,289,519	35,408,685
Sam Fink	378,000	-	378,000
Key Management Personnel of the Company			
Ordinary shares			
Graham Hadley	20,000	-	20,000
Hamish Peat	2,000	-	2,000
Daniel Smith	2,437,189	-	2,437,189

2007 Name	Balance at the start of the year	Changes during the year	Balance at the end of the year
Directors of Verticon Group Limited			
Ordinary shares			
Noel Henderson	558,424	1,137,376	1,695,800
Andrew Torrington	100,000	-	100,000
David Goldberger	8,119,167	-	8,119,167
David Wieland	8,119,166	-	8,119,166
Sam Fink	96,000	282,000	378,000
Key Management Personnel of the Company			
Ordinary shares			
Daniel Smith	2,437,189	-	2,437,189
Mick Martin	32,500	-	32,500

* *These are shares owned by Tarraville Pty Ltd which is owned by David Goldberger and David Wieland.*

26. Key management personnel disclosures (continued)

(e) Other transactions with directors and other key management personnel

(i) Key management personnel of the Group
Daniel Smith is a Director of Daniel Smith Industries Limited. Verticon provided crane hire services to Daniel Smith Industries Limited on normal commercial hire terms during the year. Daniel Smith Industries Limited provided labour, transport services, and crane hire to the Group during the year. The New Zealand crawler crane and mobile crane business was sold to Daniel Smith Industries Limited for proceeds of $11,390,000. As at 30 June 2008, Daniel Smith was no longer employed by the Group or a member of the key management personnel.

Noel Henderson is a Director and shareholder of Contexx Pty Ltd. Verticon provided hire and consultancy services to Contexx Pty Ltd on normal commercial hire terms during the year. Contexx Pty Ltd provided consultancy services to the Group during the year.

David Goldberger and David Wieland are both directors and shareholders of Autumn Finance Pty Ltd. Autumn Finance Pty Ltd provided an equipment rental facility on normal commercial terms during the year.

David Goldberger and David Wieland are both directors and shareholders of Maybury Bond Pty Ltd. Verticon rented premises from Maybury Bond Pty Ltd on normal commercial terms during the year.

David Goldberger and David Wieland are both directors and shareholders of Taraville Pty Ltd. Taraville Pty Ltd were the underwriters of the rights issue in 2008 on normal commercial terms. The underwriting fee amounted to $70,000 and legal expenses were $10,000 in the year. As at 30 June 2008, there are no amounts payable to or receivable from Taraville Pty Ltd.

Aggregate amounts of each types of other transactions with key management personnel of Verticon Group Limited:

	Daniel Smith Industries Limited		**Contexx Pty Ltd**		**Autumn Finance Pty Ltd**		**Maybury Bond Pty Ltd**	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Amounts recognised as revenue								
Crane Hire	**137**	805	**703**	23	**-**	-	**-**	-
Labour Hire	**36**	-	**-**	-	**-**	-	**-**	-
Consultancy	**-**	-	**135**	14	**-**	-	**-**	-
	173	805	**838**	37	**-**	-	**-**	-
Amounts recognised as expense								
Crane Hire	**1,673**	2,453	**-**	-	**54**	-	**-**	-
Labour Hire	**75**	-	**-**	-	**-**	-	**-**	-
Transport	**452**	-	**-**	-	**-**	-	**-**	-
Consultancy	**-**	-	**180**	52	**-**	-	**-**	-
Property Services	**-**	-	**-**	-	**-**	-	**34**	-
	2,200	2,453	**180**	52	**54**	**-**	**34**	**-**

26. Key management personnel disclosures (continued)

(e) Other transactions with directors and other key management personnel (continued)

Aggregate amounts of assets at balance date relating to the above types of other transactions with key management personnel of the Group:

	Daniel Smith Industries Limited		Contexx Pty Ltd		Autumn Finance Pty Ltd	
	2008	2007	**2008**	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Assets						
Current Receivables	**76**	192	**4**	**-**	**-**	**-**

Aggregate amounts payable to key management personnel of the Group at balance date relating to the above types of other transactions:

	Daniel Smith Industries Limited		Contexx Pty Ltd		Autumn Finance Pty Ltd	
	2008	2007	**2008**	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Liabilities						
Current Payables	**441**	1,358	-	-	**54**	**-**

27. Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated		Parent entity	
	2008	2007	**2008**	2007
	$	$	**$**	$
(a) Assurance Services				
Audit Services				
PricewaterhouseCoopers Australian firm				
Audit and review of financial reports and other audit work under the Corporations Act 2001	**284,000**	228,000	**284,000**	228,000
Total remuneration for audit services	**284,000**	228,000	**284,000**	228,000
Other Assurance Services				
PricewaterhouseCoopers Australian firm				
Due diligence services	**-**	22,797	**-**	-
Other Services	**57,048**	20,492	**57,048**	-
Total remuneration for other assurance services	**57,048**	43,289	**57,048**	-
Total remuneration for assurance services	**341,048**	271,289	**341,048**	228,000
(b) Taxation Services				
PricewaterhouseCoopers Australian firm				
Tax Compliance Services	**29,600**	85,285	**29,600**	82,152
Related practices of PricewaterhouseCoopers Australian firm:				
Tax Compliance Services	**418**	-	**-**	-
Non-PricewaterhouseCoopers firms for other tax compliance services	**139,354**	7,400	**108,403**	7,400
Total remuneration for taxation services	**169,372**	92,685	**138,003**	89,552

28. Contingencies

Verticon Group Limited had no contingent assets or contingent liabilities outstanding at 30 June 2008.

29. Commitments

(a) Capital Commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	Consolidated		Parent entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Property, plant and equipment payable:				
Within one year	**246**	1,594	**246**	1,472
	246	1,594	**246**	1,472

(b) Lease Commitments

(i) Operating leases

The group leases various offices and yards under non-cancellable operating leases expiring within 1 to 5 years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

Commitments for minimum lease payments in relation to non-				
Within one year	**2,394**	1,041	**2,394**	973
Later than one year but not later than five years	**9,922**	3,448	**9,922**	3,414
Later than five years	**767**	1,050	**767**	1,050
	13,083	5,539	**13,083**	5,437

29. Commitments (continued)

(ii) Finance Leases
The group leases various plant and equipment with a carrying amount of $7,058,000 (2007: $11,588,000) under finance leases expiring within 3 to 5 years. At expiry under the terms of the leases, the Group acquires the leased asset at the residual value at that date.

	Consolidated		Parent entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Commitments in relation to finance leases are payable as follows:				
Within one year	**1,808**	2,560	**1,808**	2,560
Later than one year but not later than five years	**9,379**	10,743	**9,379**	10,743
Minimum lease payments	**11,187**	13,303	**11,187**	13,303
Future finance charges	**(2,035)**	(2,716)	**(2,035)**	(2,716)
Recognised as a liability	**9,152**	10,587	**9,152**	10,587
Representing lease liabilities:				
Current (note 18)	**9,152**	1,282	**9,152**	1,282
Non-current (note 20)	**-**	9,305	**-**	9,305
	9,152	10,587	**9,152**	10,587

30. Related Party Transactions

(a) Parent entity

The parent entity within the Group is Verticon Group Limited. The ultimate parent entity is Taraville Pty Ltd which at 30 June 2008 owns 57% (2007 - 23%) of the issued ordinary shares of Verticon Group Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 31.

(c) Directors and key management personnel

Disclosures relating to directors and key management personnel are set out in note 26.

30. Related Party Transactions (continued)

(d) Transactions with related parties

The following transactions occurred with subsidiaries.

	2008 $'000	2007 $'000
Sales of goods and services		
Management fees	**602**	1,523

During the year, the parent transferred assets at net written values of $979,000 to Verticon New Zealand Limited. Verticon New Zealand transferred assets at net written down values of $1,326,000 to the parent. No gains or losses were recognised in these transfers.

(e) Outstanding balances

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	2008 $'000	2007 $'000
Current receivables		
Subsidiary loan	**-**	21,107
Current payables		
Subsidiary loan	**1,938**	-
Current payables		
Subsidiaries	**-**	(4,145)

No provisions for doubtful debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

(f) Loans to/from related parties

	2008 $'000	2007 $'000
Loans to (from) subsidiaries		
Beginning of the year	**21,071**	-
Loans advanced	**-**	21,071
Loans repaid	**(23,009)**	-
Interest charged	**830**	1,419
Interest paid	**(830)**	(1,419)
End of year	**(1,938)**	21,071
Represented by:		
Intercompany loan receivable/(payable) - current (note 17)	**(1,938)**	4,214
Intercompany loan receivable - non current (note 16)	**-**	16,857
	(1,938)	21,071

31. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(c):

Name of entity	Country of incorporation	Class of Shares	Equity holding	
			2008	2007
			%	%
Fire Up Cranes & Rigging Pty Ltd *	Australia	Ordinary	**100**	100
Fire Up Hire Pty Ltd *	Australia	Ordinary	**100**	100
Verticon Developments No.1 Pty Ltd	Australia	Ordinary	**100**	100
Verticon Neon Street Pty Ltd	Australia	Ordinary	**100**	100
Verticon New Zealand Limited	New Zealand	Ordinary	**100**	100

* These entities are in the final stages of liquidation and the assets were transferred to the parent entity as at 1 July 2006.

(a) Sale of subsidiary

Details of the sale of the business of the New Zealand subsidiary is set out in note 9.

32. Events occurring after the balance sheet date

There were no subsequent events other than those disclosed in note 1(a). The event described in note 1(a) is a non-adjusting subsequent event.

33. Reconciliation of profit/(loss) after income tax to net cash inflow from operating activities

	Consolidated		Parent Entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Profit/(loss) from ordinary activities after related income tax	**(59,523)**	(9,489)	**(55,988)**	(10,643)
Depreciation and amortisation	**5,643**	6,386	**4,800**	4,560
Net (gain)/loss on sale of non-current assets	**232**	(1,405)	**232**	(383)
Net (gain)/loss on sale of other business unit	**(2,045)**	-	**-**	-
Impairment of Goodwill	**14,840**	243	**6,249**	243
Impairment of Assets	**27,302**	8,220	**34,945**	8,072
Dividend Income	**-**	-	**-**	(709)
Net exchange differences	**860**	(1,738)	**-**	-
Change in net assets and liabilities, net of effects from acquisitions:				
(Increase)/decrease in assets:				
Trade debtors	**7,312**	4,137	**289**	4,909
Inventories	**-**	281	**-**	281
Deposits paid	**161**	438	**109**	326
Prepayments	**483**	(397)	**470**	(490)
Accrued Revenue	**322**	(3,508)	**116**	(3,302)
Other receivables	**250**	(293)	**(749)**	(67)
Deferred tax assets	**5,645**	(3,781)	**5,558**	(3,781)
Current tax assets	**-**	132	**-**	132
Increase/(decrease) in liabilities:				
Trade creditors	**(1,751)**	(196)	**(560)**	(1,780)
Employee provisions	**71**	209	**(137)**	265
Current tax liabilities	**(44)**	23	**-**	-
Deferred tax liabilities	**(829)**	(807)	**(148)**	(1,093)
Other operating liabilities	**(395)**	876	**1,157**	6,202
Net cash inflow from operating activities	**(1,466)**	(669)	**(3,656)**	2,742

34. Non-cash financing and investing activities

	Consolidated		Parent Entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Acquisition of plant and equipment by means of finance leases	**1,369**	7,732	**1,369**	7,732

35. Earnings per share

	Consolidated	
	2008	2007
	Cents	Cents
(a) Basic earnings per share		
Profit/(loss) from continuing operations attributable to the ordinary equity holders of the company	**(62.5)**	(16.4)
Profit/(loss) from discontinuing operations attributable to the ordinary equity holders of the company	**(14.2)**	4.2
Profit/(loss) attributable to the ordinary equity holders of the company	**(76.7)**	(12.2)
(b) Diluted earnings per share		
Profit/(loss) attributable to the ordinary equity holders of the company	**(76.7)**	(12.2)

	2008	2007
	$'000	$'000
(c) Reconciliations of earnings used in calculating earnings per share		
Basic earnings per share		
Profit/(loss) from continuing operations	**(48,497)**	(12,770)
Profit/(loss) from discontinued operations	**(11,026)**	3,281
Profit/(loss) attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**(59,523)**	(9,489)
Diluted earnings per share		
Profit/(loss) attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	**(59,523)**	(9,489)

(d) Weighted average number of shares used as the denominator

	Consolidated	
	2008	2007
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**77,640,870**	77,640,870
Adjustments for calculation of diluted earnings per share	**-**	-
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	**77,640,870**	77,640,870

The earnings per share calculation of the comparative period has been revised to reflect the effects of the share capital increase.

The basic earnings per share calculation has been made in accordance with AASB 133.

Verticon Group Limited
Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes 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 company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the financial 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 considering the measures outlined in note 1(a) going concern; and

The directors have been given the declarations by the managing director and chief financial officer required by section 295A of the *Corporations Act 2001*.

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

Non-Executive Chairman

Managing Director

Signed at Melbourne,

Dated this 29th day of August 2008.

PricewaterhouseCoopers
ABN 52 780 433 757

Freshwater Place
2 Southbank Boulevard
SOUTHBANK VIC 3006
GPO Box 1331L
MELBOURNE VIC 3001
DX 77
Website:www.pwc.com/au
Telephone 61 3 8603 1000
Facsimile 61 3 8603 1999

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

Report on the financial report

We have audited the accompanying financial report of Verticon Group Limited (the company) and Verticon Group (the consolidated entity) which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Verticon Group Limited and the Verticon Group. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the 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 controls relevant to the preparation and fair presentation of the 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. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of Verticon Group Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001;* and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Significant Uncertainty Regarding Continuation as a Going Concern

Without qualification to the opinion expressed above, we draw your attention to Note 1 (a) 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 (a) indicates the existence of a 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.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 10 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the Remuneration Report of Verticon Group Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

Chris Dodd
Partner

Melbourne
29 August 2008

Liability limited by a scheme approved under Professional Standards Legislation

Verticon Group Limited
Shareholder Information

The shareholder information set out below was applicable as at 31 July 2008.

A. Distribution of equity securities

Ordinary share capital
Analysis of numbers of equity security holders by size of holding:

	Class of equity security	
	Ordinary shares	**Options**
1 - 1,000	56	-
1,001 - 5,000	118	-
5,001 - 10,000	153	-
10,001 - 100,000	266	-
100,001 - and over	74	-
	667	-

There were 242 holders of less than a marketable parcel of ordinary shares.

B. Equity security holders

Twenty largest quoted equity security holders
The names of the twenty largest holders of quoted equity securities are listed below:

	Ordinary shares	
Name	**Number held**	**Percentage of issued shares**
Taraville Pty Ltd	67,362,371	53.82
Noel Henderson & Lyndsay Henderson <Avington Super Fund A/C>	6,274,934	5.01
Taraville Pty Ltd <Taraville Unit A/C>	3,400,000	2.72
ANZ Nominees Limited <Cash Income A/C>	2,526,012	2.02
Daniel Smith & Annette Smith	2,437,189	1.95
Zarvale Pty Ltd	2,369,201	1.89
Abela Group Pty Ltd <The Abela Group A/C>	1,954,600	1.56
Emadale Pty Ltd	1,907,333	1.52
Mr Bradley Victor Skelton	1,500,000	1.20
Mr Marco Pagliari & Mrs Marie-Therese Pagliari	1,350,000	1.08
Manar Nominees Pty Ltd	1,287,000	1.03
Kellason Pty Ltd	1,260,000	1.01
Skydene Pty Ltd	1,260,000	1.01
Bond Street Custodians Limited <RXN - V39117 A/C>	1,000,000	0.80
Bond Street Custodians Limited <RXN - V38514 A/C>	1,000,000	0.80
J & D Faruggia Nominees Pty Ltd <The Farrugia Family A/C>	833,332	0.67
Est Stanley Turtle Anderson	815,740	0.65
Arcelia Pty Ltd <Round Hill Retire/Fund>	725,000	0.58
Bond Street Custodians Limited <RXN - V37466 A/C>	700,000	0.56
Mr Paul Riethmaier & Mrs Anne Reithmaier	643,496	0.51
	100,606,208	**80.39**

Verticon Group Limited
Shareholder Information

Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	Percentage of issued shares
Taraville Pty Ltd - D Goldberger & D Wieland	70,817,371	56.58
Avington Super Fund - N Henderson	6,274,934	5.01

D. Voting rights

The voting rights attaching to each class of equity securities are set out below:

(a) Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(b) Options
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Verticon Group Limited
Corporate Directory

Directors	**Noel Henderson** Non Executive Chairman **Andrew Torrington** Managing Director **David Goldberger** Non Executive Director **David Wieland** Non Executive Director **Sam Fink** Non Executive Director
Secretary	**Chris Hipwell**
Notice of Annual General Meeting	The annual general meeting of Verticon Group Limited **will be held at** 65 Queens Road, Melbourne **time** 11:00am **date** Thursday, 23 October 2008
Principal Registered Office in Australia	Verticon Group Limited Level 9, 580 St. Kilda Road Melbourne Victoria 3004
Share Register	Link Market Services Limited Level 4, 333 Collins Street Melbourne Victoria 3000
Auditor	PricewaterhouseCoopers Freshwater Place 2 Southbank Boulevard Southbank Victoria 3006
Solicitor	Deacons RACV Tower 485 Bourke Street Melbourne Victoria 3000
Banker	Westpac Banking Corporation Level 7, 360 Collins Street Melbourne Victoria 3000
Stock Exchange Listing	Verticon Group Limited shares are listed on the Australian Stock Exchange.
Website Address	www.verticon.com.au