



VERTICON GROUP LIMITED
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23rd October 2008

ASX ANNOUNCEMENT

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Chairman's Address

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The financial results for the year ended 30 June 2008 showed a net loss after tax of \$59.5M on turnover of just over \$50M. The loss included a \$27.3M plant and equipment write-down, a \$14.8M write-down in goodwill, a \$4.8M reduction in deferred tax balances and \$5.6M of depreciation and amortisation.

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During the year Verticon sold the assets of its New Zealand based business in two parts. The tower crane and hoist division was sold to Lewis Equipment in December 2007 for NZD15M while the crawler crane and mobile crane division was sold to Daniel Smith Industries in January 2008 for NZD13M. The proceeds from both of these sales were used to repay Westpac debt.

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In terms of the Australian based business, the operating performance of the Queensland division was again disappointing. A continued erosion of labour hire margins and higher than expected repairs and maintenance costs contributed to the poor result. A new 20,000m² workshop, yard and office facility was completed in June 2008. The consolidation of several yards into one facility should see a rationalisation of yard and workshop costs ongoing.

The transition of the Victorian division into a dry hire model operating newer equipment proved very successful during the year and this division contributed a good result. The New South Wales division also performed well in conjunction with the growth of our hoist fleet in Sydney.

Verticon is continuing to implement a number of strategies to improve the financial position and cashflow of the Group. This includes the announcement in August 2008 of the establishment of a property development division. We have now entered into a binding heads of agreement for the first development of which is expected to generate considerable profit on completion in the 2009 / 2010 year or indeed earlier.

Our major debt provider, Westpac, has confirmed it will continue to provide the existing facilities of \$41.7M to at least July 2010 with a combination of interest free and interest capitalisation during this period. Autumn Finance, who provides a lease facility for a number of tower cranes and hoists, has agreed to a similar arrangement.



OH&S
Endorsed
Company



Environmental
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Quality
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Company



The Board believes the existing tower crane and hoist business will generate a positive result, before interest and depreciation, for the year ended 30 June 2009. We also believe that the strategy to establish a property development division will result in a significant reduction in the level of debt to the Group in the 2009/2010 year or earlier.

For further information, contact

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