VERTICON GROUP LIMITED

ABN 53 111 398 040

Interim Financial Report

31 December 2009

Verticon Group Limited

ABN 53 111 398 040

Interim financial report - 31 December 2009

Contents

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2009 and any public announcements made by Verticon Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Verticon Group Limited
Directors' Report

Your directors present their report on the consolidated entity consisting of Verticon Group Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2009.

Directors

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

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

Review of operations

Net loss after tax was $894 thousand on turnover of $589 thousand, including discontinued operations. The profitability of the Group has improved in the half-year to 31 December 2009 due to reduced operating expenses compared to the prior year and confining expenditure to wages and salaries, maintaining Verticon's head office premises in St Kilda Road Melbourne and ongoing compliance costs.

Auditors' independence

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

Rounding of amounts

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

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

Noel Henderson
Chairman

Andrew Torrington
Managing Director

Signed at Melbourne,

Dated this 23rd day of February 2010.

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 review of Verticon Group Limited for the half-year ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Michael Shewan
Partner
PricewaterhouseCoopers

Melbourne
23 February 2010

Verticon Group Limited

Consolidated statement of comprehensive income

For the half-year ended 31 December 2009

	Notes	Half Year 2009 $'000	2008 $'000
Revenue from continuing operations		**589**	141
Employee benefits expense		**(305)**	(937)
Depreciation and amortisation expense		**(75)**	(86)
Finance costs	3	**(1,398)**	(1,756)
Transport and travel expenses		**(5)**	(11)
Consultants (including legal and accounting)		**(67)**	(155)
Bad and doubtful debts	3	**348**	-
Insurance		**(113)**	(3)
Rental expenses		**(70)**	(62)
Other expenses from ordinary activities		**(124)**	(174)
Profit/(Loss) before income tax		**(1,220)**	(3,043)
Income tax expense		**-**	-
Profit/(Loss) from continuing operations		**(1,220)**	(3,043)
Profit/(Loss) from discontinued operations		**326**	(463)
Profit/(Loss) for the half-year		**(894)**	(3,506)
Other comprehensive income			
Exchange differences on translation of foreign operations		**-**	109
Other comprehensive income for the half-year, net of tax		**-**	109
Total comprehensive income for the half-year		**(894)**	(3,397)
Profit/(loss) attributable to members of Verticon Group Limited		**(894)**	(3,506)
Total comprehensive income for the half-year is attributable to Verticon Group Limited		**(894)**	(3,397)
		Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:			
Basic earnings per share		**(1.0)**	(2.4)
Diluted earnings per share		**(1.0)**	(2.4)
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share		**(0.7)**	(2.8)
Diluted earnings per share		**(0.7)**	(2.8)

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

Verticon Group Limited
Consolidated statement of financial position
As at 31 December 2009

	31 December 2009 $'000	30 June 2009 $'000
ASSETS		
Current Assets		
Cash and cash equivalents	**4,502**	2,616
Trade and other receivables	**142**	4,094
Other receivables	**750**	-
Total current assets	**5,394**	6,710
Non-current Assets		
Property, plant and equipment	**1,401**	1,476
Other receivables	**9,994**	10,775
Total non-current assets	**11,395**	12,251
Total assets	**16,789**	18,961
LIABILITIES		
Current liabilities		
Trade and other payables	**5,623**	7,885
Borrowings	**43,623**	42,604
Provisions	**26**	46
Total current liabilities	**49,272**	50,535
Non-current liabilities		
Provisions	**35**	50
Total non-current liabilities	**35**	50
Total liabilities	**49,307**	50,585
Net liabilities	**(32,518)**	(31,624)
EQUITY		
Contributed equity	**52,886**	52,886
Retained earnings/(loss)	**(85,404)**	(84,510)
Total equity	**(32,518)**	(31,624)

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Verticon Group Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2009

	Attibutable to owners of Verticon Group Limited			
Consolidated	**Contrib-uted equity $'000**	**Reserves $'000**	**Retained earnings $'000**	**Total equity $'000**
Balance as at 1 July 2008	**52,886**	**-**	**(67,199)**	**(14,313)**
Profit/(loss) for the half-year	-	-	(3,506)	(3,506)
Exchange differences on translation of foreign operations	-	109	-	109
Total comprehensive income for the half-year	**-**	**109**	**(3,506)**	**(3,397)**
Transactions with owners in their capacity as owners	**-**	-	**-**	-
Balance as at 31 December 2008	**52,886**	**109**	**(70,705)**	**(17,710)**
Balance as at 1 July 2009	**52,886**	**-**	**(84,510)**	**(31,624)**
Profit/(loss) for the half-year	-	-	(894)	(894)
Total comprehensive income for the half-year	**-**	**-**	**(894)**	**(894)**
Transactions with owners in their capacity as owners	**-**	**-**	**-**	-
Balance as at 31 December 2009	**52,886**	**-**	**(85,404)**	**(32,518)**

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

Verticon Group Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2009

	Half-year	
	2009	2008
	$'000	$'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	**3,875**	26,577
Payments to suppliers and employees (inclusive of goods and services tax)	**(2,091)**	(25,905)
	1,784	672
Interest received	**101**	-
Interest paid	**-**	(704)
Net cash inflow/(outflow) from operating activities	**1,886**	(32)
Cash flows from investing activities		
Payments for property, plant and equipment	**-**	(855)
Proceeds from sale of property, plant and equipment	**-**	496
Net cash inflow/(outflow) from investing activities	**-**	(359)
Cash flows from financing activities		
Repayment of borrowings	**-**	(175)
Net cash (outflow)/inflow from financing activities	**-**	(175)
Net increase/(decrease) in cash and cash equivalents	**1,886**	(566)
Cash and cash equivalents at the beginning of the half-year	**2,616**	(2,970)
Cash and cash equivalents at end of the half-year	**4,501**	(3,536)

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

1. Summary of Significant Accounting Policies

(a) Basis of preparation of half-year report

This general purpose financial report for the interim half-year reporting period ended 31 December 2009 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2009 and any public announcements made by Verticon Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as set out below.

(b) Going concern

As at 31 December 2009 the Group has a working capital deficiency of $43,878 thousand (30 June 2009: $43,825 thousand) and negative net assets of $32,518 thousand (30 June 2009: $31,624 thousand) and has also experienced an operating loss of $894 thousand (30 June 2009: $3,506 thousand).

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 and business strategies

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

Following the sale of the crane and hoist division, Verticon is using the expertise of its management and Board to engage solely in property development activities as principal or joint venture partner. Verticon's Chief Executive Officer, Andrew Torrington, has substantial experience in construction and property development as do key members of the Board. Overhead costs have been reduced going forward by confining expenditure to wages and salaries, maintaining Verticon's head office premises in St Kilda Road Melbourne and ongoing compliance costs.

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

1. Summary of Significant Accounting Policies (continued)

(b) Going concern (continued)

As part of the consultancy agreement, Verticon will be paid a fee dependent on the success of the *Retail Precinct Project*. The fee is expected to be up to $10,000 thousand and be payable in the 2010/2011 financial year.

Construction of the *Retail Precinct Project* is due for completion by December 2010.

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

Financing strategies

Westpac provided a new five (5) year facility of $42,472 thousand to the Group in June 2009 following the sale of the Group's crane and hoist division. The facility comprises two components. Facility 1 is for $10,800 thousand and is payable by D&G Hoists and Cranes (Aus) Pty Ltd (the acquirer of the crane and hoist division) and allows for $6,000 thousand of repayments and interest over a five year period with a $4,800 thousand payment due 30 June 2014. Facility 2 is for $31,672 thousand and is payable by Verticon Group Limited and allows for capitalised interest for the term of the facility. There is no formal repayment schedule for the term of Facility 2. The facility also includes an extension and restructure fee payable by the Group in June 2010 and in June 2011. Any development income will largely be used to reduce the facility owing to Westpac, with a small amount to be retained by the Group for working capital purposes.

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

The financial statements for the half year ended 31 December 2009 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 ongoing support of its lender, successful implementation of the new business 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 in the normal course of business at the amounts stated in the financial statements.

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

1. Summary of Significant Accounting Policies (continued)

(c) Changes in accounting policy

Verticon Group Limited had to change some of its accounting policies as the result of new or revised accounting standard which became operative for the annual reporting period commencing 1 July 2009.

The affected policies and standards are:

- Principles of consolidation - revised AASB 127 *Consolidated and Separate Financial Statements* and changes made by AASB 2008-7 *Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- Business Combinations - revised AASB 3 *Business Combinations*
- Segments - new AASB 8 *Operating Segments*

Principles of consolidation
AASB 127 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. This is different to the Group's previous accounting policy where transactions with minority interest were treated as transactions with parties external to the Group.

The standard also specifies the accounting when control is lost. Any remaining interest in the entity must now be remeasured to fair value and a gain or loss is recognised in the profit and loss. This is consistent with the entity's previous accounting policy if significant influence is not retained.

The Group will in future allocate losses to the non-controlling interest in its subsidiaries even if the accumulated losses should exceed the non-controlling interest in the subsidiary's equity. Under the previous policy, excess losses were allocated to the parent entity.

Lastly, dividends received from investments in subsidiaries, jointly controlled entities or associates after 1 July 2009 are recognised as revenue even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a result of the dividend payment. Under the entity's previous policy, these dividends would have been deducted from the cost of the investment.

The changes were implemented prospectively from 1 July 2009. There has been no impact on the current period.

Business combinations
AASB 3 (revised) continues to apply the acquisition method to business combinations, but with some significant changes.

All payments to purchase a business are now recorded at fair value at the acquisition date, with contingent payments classified as debt and subsequently remeasured through the income statement. Under the Group's previous policy, contingent payments were only recognised when the payments were probable and could be measured reliably and were accounted for as an adjustment to the cost of the acquisition.

Acquisition-related costs are expensed as incurred. Previously, they were recognised as part of the cost of acquisition and therefore not included in goodwill.

1. Summary of Significant Accounting Policies (continued)

(c) Changes in accounting policy (continued)

Non-controlling interests in an acquiree are now recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. This decision is made on an acquisition-by-acquisition basis. Under the previous policy, the non-controlling interest was always recognised at its share of the acquiree's net assets.

If the Group recognises acquired deferred tax assets after the initial acquisition accounting there will no longer be any adjustment to goodwill. As a consequence, the recognition of the deferred tax asset will increase the Group's net profit after tax.

The changes were implemented prospectively from 1 July 2009. There has been no impact on the current period.

Segment Reporting

The Group has applied AASB 8 Operating Segments from 1 July 2009. AASB 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. As reported in the financial statements for the year ended 30 June 2009, there are two reportable segments. Refer note 2.

(d) Restatement of prior period comparatives

The comparative amounts have been restated to correct an error in prior periods which had no material impact in those periods.

The line items affected were:

Consolidated statement of financial position	30 June 2009 As reported $'000	30 June 2009 As restated $'000
Property, plant and equipment	127	1,476
Trade and other payables	5,382	7,885
Retained earnings	(83,356)	(84,510)

Consolidated statements of comprehensive income	31 December 2008 As reported $'000	31 December 2008 As restated $'000
Revenue from continuing operations	-	141
Depreciation and amortisation	(48)	(86)

Verticon Group Limited
Notes to the financial statements
31 December 2009

2. Segment information

(a) Description of segments

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

As the Group has applied AASB 8 Operating Segments for the first time in this reporting period, prior year comparatives have been restated.

The segment information for the half-year ended 31 December 2009 is as follows:

	Continuing operation Corporate		**Discontinued operation Cranes & Hoists**		**Consolidated**	
	Half year 2009 $'000	Half year 2008 $'000	**Half year 2009 $'000**	Half year 2008 $'000	**Half year 2009 $'000**	Half year 2008 $'000
Segment revenue						
Segment revenue to external customers	**141**	141	**-**	22,993	**141**	23,134
Segment result						
Segment profit before income tax	**(1,220)**	(3,043)	**326**	(463)	**(894)**	(3,506)
Income tax expense	**-**	-	**-**	-	**-**	-
Profit for the year	**(1,220)**	(3,043)	**326**	(463)	**(894)**	(3,506)
Other segment information						
Acquisition of property plant and equipment, intangibles and other non current segment	**-**	-	**-**	855	**-**	855
Interest revenue	**448**	-		-	**448**	-
Interest expense	**(1,398)**	(1,756)		(493)	**(1,398)**	(2,249)
Depreciation and amortisation expense	**75**	86	**-**	1,265	**75**	1,351
	Half year 2009 $'000	June 2009 $'000	**Half year 2009 $'000**	June 2009 $'000	**Half year 2009 $'000**	June 2009 $'000
Segment assets and liabilities						
Segment assets	**16,789**	18,961	**-**	-	**16,789**	18,961
Segment liabilities	**49,307**	50,585	**-**	-	**49,307**	50,585

Verticon Group Limited
Notes to the financial statements
31 December 2009

3. Profit for the half-year

	Half-year	
	2009	2008
	$'000	$'000
Profit for the half-year includes the following items that are unusual because of their nature, size or incidence:		
Expenses		
Bad debts	**348**	-
Finance costs	**(1,398)**	(1,756)
	(1,050)	(1,756)

4. Discontinued operation

(a) Description

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

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

(b) Financial performance and cash flow information

	2009	2008
Revenue	**-**	22,993
Other income	**-**	2
Expenses	**326**	(23,458)
Profit/(loss) before income tax	**326**	(463)
Income tax benefit/(expense)	**-**	-
Profit/(loss) from discontinued operations	**326**	(463)
Net cash inflow from operating activities	**(24)**	2,035
Net cash inflow (outflow) from investing activities	**-**	(530)
Net cash outflow from financing activities	**-**	-
Net increase in cash generated by the division	**(24)**	1,505

5. Capital Commitments

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

6. Contingencies

There are no significant contingent matters outstanding at the reporting date for which provisions have not been recognised by the Group.

7. Borrowings

As at 31 December 2009, the Group has classified its loans payable as current liabilities. Westpac provided a five (5) year facility of $42,472 thousand to the Group until June 2014. The Directors consider that given the prevailing loan arrangements, disclosure as current is appropriate. Refer to note 1(b) for further detail.

8. Events occurring after the balance sheet date

As a non adjusting subsequent event, Westpac approved the extension and restructure fee, previously payable on 30 June 2010 and included in trade and other payables, will now be settled by the Group in two equal instalments in June 2010 and June 2011.

The Group entered into a contract with a counterparty in a previous period to transfer two cranes. The contract included an option, exercisable by the counterparty to transfer the cranes back to the Group. That option was exercised after the balance sheet date, as was a contract to sell the cranes.

Verticon Group Limited
Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 4 to 14 are in accordance with the *Corporations Act 2001* , including

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

(ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and

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

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

Noel Henderson
Chairman

Andrew Torrington
Managing Director

Signed at Melbourne,

Dated this 23rd day of February 2010.

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 review report to the members of Verticon Group Limited

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Verticon Group Limited, which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Verticon Group Limited (the consolidated entity). The consolidated entity comprises both Verticon Group Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Verticon Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to

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

determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing.

Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

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

Matters relating to the electronic presentation of the reviewed financial report

This review report relates to the financial report of Verticon Group Limited for the half-year ended 31 December 2009 included on Verticon Group Limited's web site. The company's directors are responsible for the integrity of the Verticon Group Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and

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

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

Significant Uncertainty Regarding Continuation as a Going Concern

Without qualification to the conclusion expressed above, we draw your attention to Note 1 in the financial report which comments on the reliance of the consolidated entity on the support of its lender and implementation of the new business strategy. These conditions along with other matters as set out in Note 1 indicate the existence of significant uncertainty which casts doubt on the ability of the consolidated entity to continue as a going concern and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

PricewaterhouseCoopers

PricewaterhouseCoopers

Michael Shewan
Partner

Melbourne
23 February 2010