VERTICON GROUP LIMITED

ABN 53 111 398 040

Annual Financial Report

30 June 2010

Verticon Group Limited

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Annual financial report - 30 June 2010

Contents

This financial report covers the Verticon Group Limited as an 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 page 2 of the Directors' Report.

The financial report was authorised for issue by the Directors on 20 August 2010. 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 2010.

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 from 1 July 2008 to 31 May 2009 was the hire and sale of cranes and hoists and the provision of labour hire.

Following completion of the sale of the crane and hoist division on 1 June 2009, the principal activity of the Group is property development.

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 $2,764 thousand on revenues from continuing operations of $1,181 thousand.

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.

Included in the consolidated result for 2009 is $10,043 thousand loss on sale of the crane and hoist division, $3,884 thousand of finance costs and $2,498 thousand of depreciation and amortisation, including discontinued operations.

Earnings per share is shown in note 30 of the financial report.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group. The financing, operational and business strategies are presented as part of Note 1(a) Going concern.

Likely developments and expected results of operations

Further information on likely developments in the operations of the group and the expected results of operations have not been included in this annual financial report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

Verticon Group Limited
Directors' Report

Matters subsequent to the end of the financial year

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

In August 2010 Westpac agreed to the extension and restructure fee of $1500 thousand, originally due 30 June 2011, to be deferred to the earlier of 31 December 2011 or the date of settlement of the Retail Precinct Project.

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 to ensure that activities comply with all relevant environmental legislation.

Information on Directors

Noel Henderson. Chairman (Non Executive). Age 64.

Experience and expertise
Noel has been a non-executive director for more than 4 years. Noel has worked in the construction industry throughout Australia, the United Kingdom, New Zealand and the United Arab Emirates for 40 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
None.

Special responsibilities
Chairman of Board
Chairman of Remuneration and Nomination Committee

Interests in shares and options
7,608,267 ordinary shares in Verticon Group Limited.

Andrew Torrington B Comm, MBA. Director (Executive). Age 39.

Experience and expertise
Andrew has been the managing director of the Group for more than 4 years. Andrew has more than 16 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.

Interests in shares and options
5,867,285 ordinary shares in Verticon Group Limited.

Verticon Group Limited
Directors' Report

<u>**David Goldberger.** Director (Non Executive). Age 62.</u>

Experience and expertise
David has been a non-executive director for more than 5 years. 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 and Nomination Committee
Member of Audit and Risk Committee

Interests in shares and options
32,705,983 ordinary shares in Verticon Group Limited.

<u>**David Wieland.** Director (Non Executive). Age 65.</u>

Experience and expertise
David has been a non-executive director for more than 5 years. 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 and Nomination Committee
Member of Audit and Risk Committee

Interests in shares and options
32,705,983 ordinary shares in Verticon Group Limited.

<u>**Sam Fink Bec, CPA.** Director (Non Executive). Age 65.</u>

Experience and expertise
Sam has been a non-executive director for more than 4 years. Sam has been involved in commercial and retail property development.

Other current directorships of list 20 August 2010
None.

Former directorships of listed companies in last three years
None.

Special responsibilities
Chairman of Audit and Risk Committee

Interests in shares and options
386,000 ordinary shares in Verticon Group Limited.

Company Secretary

The company secretary is Andrew Torrington from 7 May 2010. Prior to that date the company secretary was Susan Allan.

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 2010, and the numbers of meetings attended by each Director were:

	Full meetings of directors		Meetings of committees					
			Audit & Risk		Nomination		Remuneration	
	A	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Noel Henderson	11	11	*	*	2	2	2	2
Andrew Torrington	11	11	*	*	*	*	*	*
David Goldberger	11	11	2	2	2	2	2	2
David Wieland	11	11	2	2	2	2	2	2
Sam Fink	9	11	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 and Nomination 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 and Nomination 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.

Verticon Group Limited
Directors' Report

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

(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.

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:

Susan Allan	Financial Controller & Company Secretary (until 7 May 2010)
Chris Hipwell	Chief Financial Officer & Company Secretary (until 31 July 2009)

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 2010	**Short term employee benefits**			**Post employment benefits**		**Share-based payments**		
Directors	**Cash salary and fees $**	**Cash bonus $**	**Non monetary benefits $**	**Super-annuation $**	**Termi-nation benefits $**	**Shares $**	**Options $**	**Total $**
Noel Henderson	91,743	-	-	8,257	-	-	-	100,000
Andrew Torrington	377,789	300,000	6,790	14,461	-	-	-	699,039
David Goldberger *	-	-	-	-	-	-	-	-
David Wieland *	-	-	-	-	-	-	-	-
Sam Fink **	3,058	-	-	275	-	-	-	3,333
Total	**472,590**	**300,000**	**6,790**	**22,993**	**-**	**-**	**-**	**802,373**

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

** Sam Fink has agreed to forgo any remuneration for the services he provides as a Director of Verticon Group Limited from 01/08/09.

Verticon Group Limited
Directors' Report

B. Details of remuneration (continued)

30 June 2009	**Short term employee benefits**			**Post employ-ment benefits**		**Share-based payments**		
Directors	**Cash salary and fees $**	**Cash bonus $**	**Non monetary benefits $**	**Super-annuation $**	**Termi-nation benefits $**	**Shares $**	**Options $**	**Total $**
Noel Henderson	91,743	-	-	8,257	-	38,788	-	138,788
Andrew Torrington	378,505	573,832	4,225	13,745	-	-	-	970,307
David Goldberger *	-	-	-	-	-	-	-	-
David Wieland *	-	-	-	-	-	-	-	-
Sam Fink	36,697	-	-	3,303	-	-	-	40,000
Total	**506,945**	**573,832**	**4,225**	**25,305**	**-**	**38,788**	**-**	**1,149,095**

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

30 June 2010	**Short term employee benefits**			**Post employ-ment benefits**		**Share-based payments**		
Key Management Personnel	**Cash salary and fees $**	**Cash bonus $**	**Non monetary benefits $**	**Super-annuation $**	**Termi-nation benefits $**	**Shares $**	**Options $**	**Total $**
Chris Hipwell (from 01/07/09 - 31/07/09)*	12,615	-	52	1,135	41,250	-	-	55,052
Susan Allan (from 01/07/09 - 07/05/10)**	61,772	22,936	-	9,874	7,645	-	-	102,226
Total	**74,387**	**22,936**	**52**	**11,009**	**48,895**	**-**	**-**	**157,278**

Verticon Group Limited
Directors' Report

B. Details of remuneration (continued)

30 June 2009	Short term employee benefits			Post employ-ment benefits		Share-based payments		
Key Management Personnel	**Cash salary and fees $**	**Cash bonus $**	**Non monetary benefits $**	**Super-annuation $**	**Termi-nation benefits $**	**Shares $**	**Options $**	**Total $**
Chris Hipwell	151,376	40,000	4,225	13,624	-	-	-	209,225
Graham Hadley (from 01/07/08 - 31/05/09)	170,734	35,000	1,126	12,599		-	-	219,459
Jason Hotop (from 01/07/08 - 31/05/09)	157,096	25,000	-	12,489		-	-	194,584
Mark Hardie (from 28/07/07 - 31/05/09)	146,658	-	-	11,671		-	-	158,328
Randall Eckert (from 01/07/08 - 27/04/09)	163,547	-	-	11,454	102,168	-	-	277,169
Hamish Peat (from 01/07/08 - 31/05/09)	130,352	-	5,557	11,733		-	-	147,642
Total	**919,762**	**100,000**	**10,908**	**73,569**	**102,168**	**-**	**-**	**1,206,407**

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
- Base salary, inclusive of superannuation, is reviewed annually by the Remuneration and Nomination 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.

Andrew Torrington, Managing Director & Company Secretary
- Term of agreement - five years commencing 28 May 2007.
- Base salary, inclusive of superannuation, is reviewed annually by the Remuneration and Nomination 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 until 31 July 2009
- 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 two months notice by either party. No termination benefits are payable on expiry or early termination of contract.

Susan Allan, Financial Controller & Company Secretary until 31 May 2010
- 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.

C. Service agreements (continued)

Insurance of officers

During the financial period, the Company paid premiums of $45,407 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.

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:

	2010
	$
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)	70,000
Total remuneration for audit services	**70,000**
Taxation services	
Fees paid to PricewaterhouseCoopers firms for other tax compliance services	-
Total remuneration for taxation services	**-**

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 11.

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.

Auditor

Pricewaterhouse Coopers continues in office in accordance with section 327 of the *Corporations Act 2001.*

This report is made in accordance with a resolution of the Directors.

Noel Henderson	**Andrew Torrington**
Chairman	Managing Director

Signed at Melbourne, Dated this 20th day of August 2010.

PRICEWATERHOUSECOOPERS

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Auditor's Independence Declaration

As lead auditor for the audit of Verticon Group Ltd for the year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the 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 Ltd and the entities it controlled during the period.

Michael Shewan
Partner
PricewaterhouseCoopers

Melbourne
20 August 2010

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.

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

The Remuneration and 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 the performance of senior executives, individual directors and Board committees.

The Company does not currently have any senior executives, so there has been no need to implement a formal process for reviewing senior executive performance.

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 property development 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 Remuneration and Nomination Committee, the Charter of which as been posted on the Company's website at www.verticon.com.au. The Remuneration and Nomination Committee comprises a minimum of two directors. The current members are Noel Henderson (Chairman), David Wieland and David Goldberger. Two meetings of the Remuneration and Nomination Committee were held in the financial year ended 30 June 2010. All members of the committee attended those meetings.

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 Remuneration and 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.

Principle 2 - Structure the Board to add value (continued)

Performance evaluations of the Board, the Managing Director and the Board committees were undertaken in accordance with the processes established by the Remuneration and Nomination Committee.

Recommendation 2.6 - 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

Recommendation 3.1 - 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

Recommendation 3.2 - 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

Recommendation 3.3 - 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

Recommendation 4.1 - 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 assets, 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.

Recommendation 4.2 - The Audit Committee should be structured so that it:

- *consists only of 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 also not the Chairman of the Board. The current members are Sam Fink (Chairman), David Wieland and David Goldberger.

Principle 4 - Safeguard integrity in financial reporting (continued)

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.

Two meetings of the Audit and Risk Committee were held in the financial year ended 30 June 2010. All members of the committee attended those meetings.

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

The Board has established an Audit and Risk Committee Charter, a copy 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 Continuous Disclosure 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 the 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.

Verticon Group Limited
Corporate Governance

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 responsibility 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 (who is also the Chief Financial Officer) has provided to the Board a declaration in accordance with section 295 A of the Corporations Act dated 20 August 2010 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 and Nomination Committee, the Charter of which has been posted on the Company's website at www.verticon.com.au. The Remuneration and Nomination 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 the Directors is set out in 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
Consolidated Statements of comprehensive income
For the year ended 30 June 2010

	Notes	Consolidated 2010 $'000	2009 $'000
Revenue from continuing operations	5	**1,181**	292
Employee benefits expense		**(745)**	(2,335)
Depreciation and amortisation expense	6	**(110)**	(168)
Bad and doubtful debts (expense)/recovery	10	**348**	-
Finance costs	6	**(3,043)**	(3,731)
Administration expenses		**(241)**	(1,150)
Rental expenses		**(145)**	(218)
Other expenses		**(321)**	(159)
Profit/(Loss) before income tax		**(3,076)**	(7,469)
Income tax benefit/(expense)	7	**-**	-
Profit/(Loss) from continuing operations		**(3,076)**	(7,469)
Profit/(Loss) from discontinued operations	8	**312**	(9,844)
Profit/(Loss) for the year		**(2,764)**	(17,313)
Other comprehensive income for the year, net of tax		**-**	-
Total comprehensive income for the year		**(2,764)**	(17,313)
Profit/(loss) attributable to members of Verticon Group Limited		**(2,764)**	(17,313)
Total comprehensive income for the year is attributable to Verticon Group Limited		**(2,764)**	(17,313)
		Cents	Cents
Earnings per share for profit/(loss) from continuing operations attributable to the ordinary equity holders of the company:			
Basic earnings per share	30	**(2.5)**	(6.0)
Diluted earnings per share	30	**(2.5)**	(6.0)
Earnings per share for profit/(loss) attributable to the ordinary equity holders of the company:			
Basic earnings per share	30	**(2.2)**	(13.8)
Diluted earnings per share	30	**(2.2)**	(13.8)

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

Verticon Group Limited

Consolidated Statements of financial position

As at 30 June 2010

	Notes	Consolidated 2010 $'000	2009 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	9	**1,393**	2,616
Trade and other receivables	10	**1,683**	4,094
Total current assets		**3,076**	6,710
Non-current Assets			
Property, plant and equipment	11	**67**	1,476
Other receivables	13	**8,765**	10,775
Total non-current assets		**8,832**	12,251
Total assets		**11,908**	18,961
LIABILITIES			
Current liabilities			
Trade and other payables	14	**1,838**	7,885
Borrowings	15	**44,393**	42,604
Provisions	16	**34**	46
Total current liabilities		**46,265**	50,535
Non-current liabilities			
Provisions	17	**31**	50
Total non-current liabilities		**31**	50
Total liabilities		**46,296**	50,585
Net assets		**(34,388)**	(31,624)
EQUITY			
Contributed equity	18	**52,886**	52,886
Retained profits	19	**(87,274)**	(84,510)
Total equity		**(34,388)**	(31,624)

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

Verticon Group Limited

Consolidated Statements of changes in equity

For the year ended 30 June 2010

Consolidated	Contrib-uted equity $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
	Attibutable to owners of Verticon Group Limited			
Balance as at 1 July 2008	**52,886**	**-**	**(67,199)**	**(14,313)**
Profit/(Loss) for the year	-	-	(17,311)	(17,311)
Total comprehensive income for the year	**-**	**-**	**(17,311)**	**(17,311)**
Transactions with owners in their capacity as owners	**-**	-	**-**	-
Balance as at 30 June 2009	**52,886**	**-**	**(84,510)**	**(31,624)**
Profit/(loss) for the year	-	-	(2,764)	(2,764)
Total comprehensive income for the year	**-**	**-**	**(2,764)**	**(2,764)**
Transactions with owners in their capacity as owners	**-**	**-**	**-**	-
Balance as at 30 June 2010	**52,886**	**-**	**(87,274)**	**(34,388)**

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

Verticon Group Limited

Consolidated Statements of Cash Flows

For the year ended 30 June 2010

	Notes	Consolidated 2010 $'000	2009 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**3,899**	49,299
Payments to suppliers and employees (inclusive of goods and services tax)		**(2,874)**	(46,286)
Payment for bank extension and restructure fee		**(1,500)**	
		(475)	3,013
Interest received		**180**	11
Interest paid		**-**	(727)
Net cash (outflow) inflow from operating activities	28	**(295)**	2,297
Cash flows from investing activities			
Payment due on exercise of put option		**(2,244)**	-
Payments for property, plant and equipment		**(4)**	(1,342)
Proceeds from sale of property, plant and equipment		**1,320**	717
Proceeds from (payment) due to disposal of other business unit		**-**	(1,690)
Net cash (outflow) inflow from investing activities		**(928)**	(2,315)
Cash flows from financing activities			
Proceeds from borrowings		**-**	5,894
Repayment of borrowings		**-**	(290)
Net cash (outflow) inflow from financing activities		**-**	5,604
Net increase in cash and cash equivalents		**(1,223)**	5,586
Cash and cash equivalents at the beginning of the year		**2,616**	(2,970)
Cash and cash equivalents at end of the year	9	**1,393**	2,616

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

1. Summary of significant accounting policies

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

(a) Going concern

As at 30 June 2010 the Group has a working capital deficiency of $43.19 million (30 June 2009: $43.83 million) and negative net assets of $34.39 million (30 June 2009: $31.62 million) and has also experienced an operating loss of $2.76 million (30 June 2009: $17.31 million).

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 on 27 May 2009 and was completed on 1 June 2009.

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

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

As part of the consultancy agreement, Verticon will be paid a fee dependent on the success of the Retail Precinct Project. The fee is expected to be between $5 million and $9 million and be payable in the 2010/2011 financial year. A Deed of Variation to the consultancy agreement was subsequently signed in August 2010 providing for a loan from the development company to Verticon of $0.7 million in March 2011 in the event the Retail Precinct Project is not sold prior to that date.

Construction of the Retail Precinct Project 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.

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

1. Summary of significant accounting policies (continued)

Financing strategies

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

An extension and restructure fee of $1.50 million is payable by the Group. This was originally payable in June 2010 but during the period the financiers have agreed to a deferral of payment to the earlier of 31 December 2011 or the date of settlement of the Retail Precinct Project.

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 full year ended 30 June 2010 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 in the short term and long term, and successful implementation of the new business strategies, which are not without risk. In the event that the implementation of the new business strategies do not provide adequate funds to repay the debt or the extension and restructure fee by the scheduled payment date, the Group will require the support of its lender to restructure its financing facilities.

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.

(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
The consolidated financial statements of Verticon Group Limited comply with Internation Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (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 Group'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)

Financial statement presentation
The group has applied the revised AASB 101 *Presentation of Financial Statements* which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the group has had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

(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 2010 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 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 (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.

(d) Segment reporting

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

Change in accounting policy
The group has adopted AASB 8 *Operating Segments* from 1 July 2009, AASB 8 replaces AASB 114 *Segment Reporting*. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has not resulted in different reportable segments presented compared to those disclosed in the prior year financial statements, as the Group has made a voluntary change in accounting policy in the year ended 30 June 2009 by which the segment information was presented on business segment basis. In addition, the segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker.

1. Summary of significant accounting policies (continued)

(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.

(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.

Service income in relation to consulting services provided are recognised according to the stage of completion whenever the stage of completion is reliably measurable and the revenues are sufficiently probable.

For transactions involving the rendering of services, when the outcome of the transaction can be estimated reliably, revenue should be recognised by reference to the transaction's stage of completion at the balance sheet date. If the outcome can not be estimated reliably, but it may still be probable that the costs incurred to date can be recovered, revenues are recognised only to the extent of costs incurred that are expected to be recoverable unless there is one or more specific acts during the contract that is more significant than the rest of the acts has been carried out.

1. Summary of significant accounting policies (continued)

(f) Revenue recognition (continued)

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.

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 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.

1. Summary of significant accounting policies (continued)

(j) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquistion date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

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.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

Change in accounting policy

A revised AASB3 *Business Combinations* became operative on 1 July 2009. While the revised standard continues to apply the acquisition method to business combinations, there have been some significant changes.

All purchase consideration is now recorded at fair value at the acquisition date. Contingent payments classified as debt are subsequently remeasured through profit or loss. 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 acquisition.

Acquisition-related costs are expensed as incurred. Previously, they were recognised as part of the cost of acquisition and therefore included in goodwill.

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 identifiable 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 identifiable assets.

If the group recognises previous acquired deferred tax assets after the initial acquisition accounting is completed 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.

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 the statement of cash flow 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. 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.

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:

- Plant and equipment 3 to 5 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.

1. Summary of significant accounting policies (continued)

(n) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick lease expected to be settled within 12 months after the end of the period in which the employees render the related services are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the non-current 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 end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expecture future payments are discounted using market yields at the end of the reporting period 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.

(o) 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 24). 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, or over the shorted of the assets useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

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 (note 24). The respective leased assets are included in the balance sheet based on their nature.

1. Summary of significant accounting policies (continued)

(p) Investments and other financial assets

(i) Classification
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.

(ii) 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 10) and non current loans and receivables are included in non current other receivables in the balance sheet (note 13). Loans and receivables are carried at amortised cost using the effective interest method.

(iii) Impairment
The Group assesses at each reporting period 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.

(q) 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.

(r) 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.

(s) 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.

1. Summary of significant accounting policies (continued)

(s) Income tax (continued)

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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.

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.

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 is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Investment Allowances
Companies within the group may be entitled to claim special tax deductions for investments in qualifying assets (investment allowances), The group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

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.

1. Summary of significant accounting policies (continued)

(s) Income tax (continued)

The entities have also entered into a tax funding agreement under which 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 the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

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 7.

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.

(t) 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.

(u) 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.

(v) 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 the end of the reporting date.

1. Summary of significant accounting policies (continued)

(w) 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.

(x) 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.

(y) New accounting standards and interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

AASB 2009-9 *Amendments to Australian Accounting Standards - Group Cash-Settled Share-based Payment Transactions* [AASB 2] (effective from 1 January 2010)

The amendments made by the AASB 2 confirm that an entity receiving goods or services in a group share-based payment arrangement must recognise an expense for those goods or services regardless of which entity in the group settles the transaction or whether the transaction is settled in shares or cash. They also clarify how the Group share-based payment arrangement should be measured, that is, whether it is measured as an equity-or a cash-settled transaction. The Group will apply these amendments retrospectively for the financial reporting period commencing on 1 July 2010. There will be no impact on the Group's financial statements.

AASB 2009-10 *Amendments to Australian Accounting Standards - Classification of Rights Issues [AASB 132]* (effective from 1 February 2010)

In October 2009 the AASB issued an amendment to AASB 132 *Financial Instruments: Presentation* which addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise privce is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment must be applied retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* . The Group will apply the amended standard from 1 July 2010. As the Group has not made any such rights issues, the amendment will not have any effect on the Group's financial statements.

1. Summary of significant accounting policies (continued)

(y) New accounting standards and interpretations (continued)

AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* (effective from 1 January 2013)

AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial asssets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess its full impact and has not decided when to adopt AASB 9.

Revised AASB 124 *Related Part Disclosures* and AASB 2009-12 *Amendments to Australian Accounting Standards* (effective from 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures.* It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies and simplifies the definition of a related party. The Group will apply the amendment standard from 1 July 2011. When the amendments are applied, the Group will need to disclose any transactions between its subsidiaries. However, as Verticon does not have any associates and all the transactions between the related entities are disclosed, the Group does not expect any impact.

AASB Interpretation 19 *Extinguishing financial liabilities with equity instruments* and AASB 2009-13 *Amendments to Australian Accounting Standards arising from Interpretation 19* (effective from 1 July 2010)

AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debts with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. The Group's will apply the interpretation from 1 July 2010. It is not expected to have any impact on the Group's financial statements since it is only retrospectively applied from the begining of the earliest period presented (1 July 2009) and the Group has not entered any debt for equity swaps since that date.

AASB 2009-14 *Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement* (effective from 1 January 2011)

In December 2009, the AASB made an amendment to Interpretation 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* . The amendment removes an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity's defined benefit scheme. It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements. The Group does not make any such prepayments. The amendment is therefore not expected to have any impact on the Group's financial statements. The Group intends to apply the amendment from 1 July 2011.

According to management assessment, all other changes to the accounting standards are not relevant to the Group's financial statements.

1. Summary of significant accounting policies (continued)

(z) 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 statement of comprehensive income		
Revenue from continuing operations	10	292
Depreciation and amortisation expense	(93)	(168)

(aa) Parent entity financial information

The financial information for the parent entity, Verticon Group Limted, disclosed in note 31 has been prepared on the same basis as the consolidated financial statements, except as set out below.

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

(ii) Tax consolidation legislation
Verticon Group Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. Refer to note 1(s).

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, monitoring of costs and manging cash flows of the Group. 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 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 no longer operate internationally as the New Zealand entity's operations are dormant. Any exposure to foriegn exchange risk currency is incidental to the operations of the Group and has therefore been assessed as low.

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.

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.

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. 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 $44,393 thousand floating rate debt as of 30 June 2010 (2009: $42,604 thousand), 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 $444 thousand (2009: $426 thousand) 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.

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2. Financial risk management (continued)

(iv) Summarised sensitivity analysis (continued)

		Interest Rate Risk			
		-100 bps		+100 bps	
Consolidated 30 June 2010	**Carrying Amount $'000**	**Profit $'000**	**Equity $'000**	**Profit $'000**	**Equity $'000**
Financial Assets					
Cash and cash equivalents	1,393	(14)	(14)	14	14
Deferred consideration for crane & hoist business	10,265	(103)	(103)	103	103
Financial Liabilities					
Bank bills	(44,393)	444	444	(444)	(444)
Total	**(32,735)**	**327**	**327**	**(327)**	**(327)**

		Interest Rate Risk			
		-100 bps		+100 bps	
Consolidated 30 June 2009	**Carrying Amount $'000**	**Profit $'000**	**Equity $'000**	**Profit $'000**	**Equity $'000**
Financial Assets					
Cash and cash equivalents	2,616	(26)	(26)	26	26
Deferred consideration for crane & hoist business	10,775	(26)	(26)	26	26
Financial Liabilities					
Bank bills	(42,604)	426	426	(426)	(426)
Total	**(29,213)**	**374**	**374**	**(374)**	**(374)**

2. Financial risk management (continued)

(v) Other price risk

As at 30 June 2010 and 30 June 2009, 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.

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 is in relation to the determined purchase price of the sale of the crane and hoist business that are secured through limited fixed and floating charge over the assets of D&G Hoists and Cranes (Aus) Pty Ltd. Whenever assets are disposed of by D&G, the contractural value shall immediately be transferred to the financier of Verticon.

The following table represents the Group's exposure to credit risk in 2010 and 2009:

	Consolidated	
	2010	2009
	$'000	$'000
Trade and other receivables	**1,500**	3,551
Cash and cash equivalents	**1,393**	2,616
Other receivables (refer note 1(a))	**8,765**	10,775
	11,658	16,942

(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.

The Group and the parent entity no longer has any undrawn borrowing facilities at the reporting date.

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 15 for classification of debt.

Consolidated At 30 June 2010	**Less than 1 year $'000**	**Between 1 and 2 years $'000**	**Between 2 and 5 years $'000**	**Over 5 years $'000**
Bank bills	44,393	-	-	-
Total	**44,393**	**-**	**-**	**-**

Consolidated At 30 June 2009	**Less than 1 year $'000**	**Between 1 and 2 years $'000**	**Between 2 and 5 years $'000**	**Over 5 years $'000**
Bank bills	42,604	-	-	-
Total	**42,604**	**-**	**-**	-

(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. Since the financial statements have negative net assets of $34,388 thousand, 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 or issue new shares. Refer to expected measures at note 1(a).

2. Financial risk management (continued)

(e) Fair value measurement

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

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 as these assets and liabilities are bearing floating market based interest rates.

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 apart from the going concern assumption note 1(a).

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4. 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 5 and note 8.

(b) Segment information provided to the group's committee

The segment information provided to the board of directors for the reportable segments for the year ended 30 June 2010 is as follows:

	Continuing operation Property development		**Discontinued operation Cranes and hoists**		**Total**	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000	**2010 $'000**	2009 $'000
Segment revenue						
Segment revenue from sales to external customers	**1,181**	292	**-**	39,497	**1,181**	39,789
Segment result						
Segment profit/(loss) before income tax	**(3,076)**	(7,469)	**312**	(9,844)	**(2,764)**	(17,313)
Income tax expense	**-**	-	**-**	-	**-**	-
Profit for the year	**(3,076)**	(7,469)	**312**	(9,844)	**(2,764)**	(17,313)
Segment assets and liabilities						
Total Segment assets	**11,908**	18,961	**-**	-	**11,908**	18,961
Total Segment liabilities	**46,296**	50,585	**-**	-	**46,296**	50,585
Other segment information						
Acquisition of property plant and equipment, intangibles and other non current segment assets	**4**	-	**-**	1,341	**4**	1,341
Interest revenue	**924**	10	**-**	-	**924**	10
Interest expense	**3,043**	3,731	**-**	152	**3,043**	3,884
Depreciation and amortisation expense	**110**	168	**-**	2,330	**110**	2,498

5. Revenue

	Consolidated	
	2010	2009
	$'000	$'000
Revenue from continuing operations		
Service Revenue	**257**	282
Interest	**924**	10
	1,181	292
From discontinued operations (note 8)		
Sales of services	**-**	39,458
Sales of goods	**-**	39
	-	39,497

6. Expenses

	Consolidated	
	2010	2009
	$'000	$'000
Profit before income tax includes the following specific expenses:		
Depreciation and amortisation		
Plant and Equipment	**(110)**	(168)
	(110)	(168)
Finance costs		
Interest and finance charges paid/payable	**(3,043)**	(3,731)
Foreign exchange loss	**-**	-
	(3,043)	(3,731)
Rental expense relating to operating leases		
Minimum lease payments	**130**	119
Defined contribution superannuation expenses	**87**	84
Repairs and Maintenance of Plant and Equipment	**1**	3
Insurance	**139**	35

Interest and finance charges in 2009 included a Westpac extension and restructure fee payable 30 June 2010 but was recognised in the 2009 financial year in accordance with AASB 139. In August 2010 Westpac agreed to the extension and restructure fee of $1500 thousand, originally due 30 June 2011, to be deferred to the earlier of 31 December 2011 or the date of settlement of the Retail Precinct Project.

7. Income tax expense

	Consolidated	
	2010	2009
	$'000	$'000
(a) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit/(Loss) from continuing operations before income tax expense	**(3,076)**	(7,469)
Profit/(Loss) from discontinued operations before income tax expense	**312**	(9,844)
	(2,764)	(17,313)
Tax at the Australian tax rate of 30% (2009 - 30%)	**(829)**	(5,194)
Tax	**(829)**	(5,194)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Sundry items	**(203)**	(101)
	(203)	(101)
Deferred tax asset not recognised (refer note 7(d))	**(591)**	1,356
Tax losses not recognised	**1,623**	3,939
Income tax (benefit)/expense	**-**	-
(b) Tax expense (income) relating to items of other comprehensive income	**-**	-
(c) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	**74,188**	67,625
Potential tax benefit @ 30%	**22,256**	20,288

All unused tax losses were incurred by Australian entities part of the tax consolidated group.

(d) Deferred Tax Asset

Accrued expenses	**41**	274
Extension and restructure fee	**702**	900
Provisions	**20**	29
Imapirment of accounts receivables	**-**	153
Superannuation payable	**2**	-
Total deferred tax assets	**765**	1,356
Not recognised due to lack of taxable profit and temporary differences	**(765)**	(1,356)
Net deferred tax assets	**-**	-

7. Income tax expense (continued)

The total amount of tax losses carried forward is $74,188 thousand for which a deferred tax asset of $22,256 thousand has not 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.

8. 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 4 - Segment information. Refer to note 30 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 2010 and the year ended 30 June 2009.

	Consolidated	
	2010	2009
	$'000	$'000
Sales revenue	**-**	39,497
Other income	**-**	320
Expenses	**312**	(39,618)
Profit/(loss) before income tax	**312**	199
Profit/(loss) after income tax of discontinued operations	**312**	199
(Loss) on sale of division before income tax	**-**	(10,043)
Income tax expense	**-**	-
(Loss) on sale of the division after income tax	**-**	(10,043)
Profit/(loss) from discontinued operations	**312**	(9,844)
Net cash inflow from operating activities	**24**	10,716
Net cash inflow (outflow) from investing activities	**-**	(2,310)
Net cash inflow (outflow) from financing activities	**-**	-
Net increase in cash generated by the division	**24**	8,406

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8. 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 sale (31 May 2009) and June 2010 are:

	Consolidated	
	30 June 2010 $'000	31 May 2009 $'000
Property, plant and equipment	-	20,678
Stock	-	384
Provision for legal costs	-	94
Total assets	-	21,156
Employee provisions	-	(1,140)
Total liabilities	-	(1,140)
Net assets	-	20,016

(d) Details of the sale of the division

Consideration received:-		
Cash and receivable	-	9,110
Rental expense	-	863
Carrying amount of net assets sold	-	(20,016)
(Loss) on sale before income tax	-	(10,043)
Income tax expense	-	-
(Loss) on sale after income tax	-	(10,043)

9. Current assets - Cash and cash equivalents

	Consolidated	
	2010	2009
	$'000	$'000
Cash at bank and on hand	**1,393**	2,616
	1,393	2,616

(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	**1,393**	2,616
Balances per statement of cash flows	**1,393**	2,616

(b) Risk exposure

The Group's and the parent entity's exposure to interest rate risk is discussed in note 2. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

10. Current assets - Trade and other Receivables

Trade receivables	**-**	4,060
Provision for impairment of receivables	**-**	(509)
	-	3,551
Other receivables	**1,511**	512
Prepayments	**172**	31
	1,683	4,094

(a) Impaired trade receivables

As at 30 June 2010 there were no current trade receivables of the Group that (2009: $130 thousand) were written off. There was no provision for 2010 (2009: $509 thousand). 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.

Movements in the provision for impairment of receivables are as follows:

At 1 July	**509**	111
Provision of impairment recognised during the year	**-**	528
Receivables written off during the year as uncollectible	**(161)**	(130)
Unused amount reversed	**(348)**	-
	-	509

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

The creation and release of the provision for impaired receivables has been included in 'bad and doubtful debt recovery'. 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 2010, there were Nil (2009: $2,854 thousand) past due but not impaired trade receivables. The 2009 trade receivables 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	
	2010	2009
	$'000	$'000
Up to 3 months	**-**	2,844
3-6 months	**-**	10
	-	2,854

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 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.

Refer to note 2 for more information on the risk management policy of the Group and on the credit risks.

11. Non current assets - Property, plant and equipment

Consolidated	Plant and equipment $'000	Leased plant & equipment $'000	Total $'000
Year ended 30 June 2009			
Opening net book amount	16,649	7,058	23,707
Additions	1,341	-	1,341
Disposals	(14,017)	(9,502)	(23,519)
Depreciation expense	(2,497)	2,444	(53)
Carrying amount at 30 June 2009	1,476	-	1,476
At 30 June 2009			
- Cost	40,948	-	40,948
Accumulated depreciation	(39,472)	-	(39,472)
Net book amount	1,476	-	1,476
Year ended 30 June 2010			
Opening net book amount	1,476	-	1,476
Additions	4	-	4
Disposals	(1,303)	-	(1,303)
Depreciation expense	(110)	-	(110)
Carrying amount at 30 June 2010	67	-	67
At 30 June 2010			
- Cost	39,457	-	39,457
Accumulated depreciation	(39,390)	-	(39,390)
Net book amount	67	-	67

Non-current assets pledged as security

Refer to note 15 for information on non-current assets pledged as security by the parent and its controlled entities.

Verticon Group Limited
Notes to the financial statements
30 June 2010

12. Non-current assets - Other financial assets

	Parent entity	
	2010	2009
	$'000	$'000
Shares in Subsidiaries		
Beginning of the year	**-**	1,938
Impairment of investment	**-**	(45)
Share repurchase	**-**	(1,893)
End of the year	**-**	-

13. Non-current assets - Other receivables

	Consolidated	
	2010	2009
	$'000	$'000
Other receivables (refer note 1(a))	**8,765**	10,775
	8,765	10,775

(a) Impaired receivables and receivables past due date

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

14. Current liabilities - Trade and other payables

	Consolidated	
	2010	2009
	$'000	$'000
Trade payables	**5**	666
Accruals	**1,649**	4,098
Other payables	**184**	3,121
	1,838	7,885

(a) Risk exposures

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

15. Current liabilities - Borrowings

	Consolidated	
	2010	2009
	$'000	$'000
Secured		
Bank bills	**44,393**	42,604
	44,393	42,604

Westpac has provided a five (5) year facility of $44,393 thousand to the Group until June 2014. The Directors consider that given the prevailing loan arrangements, disclosure as current is appropriate. Changes to the prior year balance includes movements for capitalised interest charged during the year. Refer to note 1(a) for further detail.

(a) Total secured liabilities and assets pledged as security

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

Bank overdrafts and bank bills	**44,393**	42,604
Total secured liabilities	**44,393**	42,604

The bank bills of the Group are secured by a fixed and floating charge over the assets of the Group and a limited fixed and floating charge over the assets of D&G Hoists & Cranes (Aus) Pty Ltd.

(b) Risk exposures

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

(c) Fair value

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

	2010 Carrying amount $'000	**2010 Fair value $'000**	2009 Carrying amount $'000	2009 Fair value $'000
On balance sheet				
Non traded financial liabilities				
Bills payable	**44,393**	**44,393**	42,604	42,604
	44,393	**44,393**	42,604	42,604

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 considering that the liability is bears a floating market interest rate.

16. Current liabilities - Provisions

	Consolidated	
	2010	2009
	$'000	$'000
Annual Leave	**34**	46
	34	46

17. Non-current liabilities - Provisions

	Consolidated	
	2010	2009
	$'000	$'000
Employee benefits - long service leave	**31**	50
	31	50

Verticon Group Limited

Notes to the financial statements

30 June 2010

18. Contributed equity

	2010 Shares	2009 Shares	2010 $'000	2009 $'000
(a) Share capital				
Ordinary shares - Fully paid	**125,157,358**	125,157,358	**52,886**	52,886

(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 2010	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 21.

19. Reserves and retained profits

	Consolidated	
	2010	2009
	$'000	$'000
(a) Retained profits		
Movement in retained profits were as follows:		
Balance 1 July	**(84,510)**	(65,836)
Restatement of retained earnings	**-**	(1,363)
Net profit/(loss) for the year	**(2,764)**	(17,520)
Restatement of profit	**-**	209
Transfer from Share-based payments reserve	**-**	-
Balance 30 June	**(87,274)**	(84,510)

The details arising from the restatement of retained earnings is set out in note 1(z).

20. Dividends

(a) Ordinary shares

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

21. 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 Director
Andrew Torrington, Managing Director & Company Secretary

(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*
Susan Allan	Financial Controller & Company Secretary (until 7 May 2010)	Verticon Group Limited
Chris Hipwell	Chief Financial Officer & Company Secretary (until 31 July 2009)	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	
	2010	2009
	$	$
Short term employee benefits	**876,754**	2,115,672
Post-employment benefits	**34,002**	98,873
Termination benefits	**48,895**	102,168
Share-based payments	**-**	38,788
	959,651	2,355,501

21. 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.

2010 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	7,608,267	-	7,608,267
Andrew Torrington	5,867,285	-	5,867,285
David Goldberger	32,705,983	-	32,705,983
David Wieland	32,705,983	-	32,705,983
Sam Fink	386,000	-	386,000

2009 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	6,274,934	1,333,333	7,608,267
Andrew Torrington	461,880	5,405,405	5,867,285
David Goldberger	35,408,686	(2,702,703)	32,705,983
David Wieland	35,408,685	(2,702,702)	32,705,983
Sam Fink	378,000	8,000	386,000
Key Management Personnel of the Company			
Ordinary shares			
Graham Hadley	20,000	-	20,000
Hamish Peat	2,000	-	2,000

21. Key management personnel disclosures (continued)

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

(i) Key management personnel of the Group

Noel Henderson is a Director and shareholder of Contexx Pty Ltd. Contexx Pty Ltd provided consultancy and tenancy services to the Group 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.

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

	Contexx Pty Ltd		**Maybury Bond Pty Ltd**	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
Amounts recognised as revenue				
Crane and Hoist Hire	**-**	1,138	**-**	-
Consultancy	**7**	73	**-**	-
	7	1,211	**-**	-
Amounts recognised as expense				
Consultancy	**-**	140	**-**	-
Property Services	**-**	-	**147**	145
	-	140	**147**	145

21. 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:

	Contexx Pty Ltd		**Maybury Bond Pty Ltd**	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
Assets				
Current Receivables	**-**	26	**-**	**-**

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

Liabilities				
Current Payables	**-**	11	-	12

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

22. 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	
	2010	2009
	$	$
(a) Assurance Services		
Audit Services		
PricewaterhouseCoopers Australian firm		
Audit and review of financial reports and other audit work under the Corporations Act 2001	**70,000**	268,000
Total remuneration for audit services	**70,000**	268,000
Other Assurance Services		
PricewaterhouseCoopers Australian firm		
Other Services	**-**	-
Total remuneration for other assurance services	**-**	-
Total remuneration for assurance services	**70,000**	268,000
(b) Taxation Services		
PricewaterhouseCoopers Australian firm		
Tax Compliance Services	**-**	-
PricewaterhouseCoopers firms for other tax compliance services	**-**	-
Total remuneration for taxation services	**-**	**-**

23. Contingencies

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

24. Commitments

(a) Capital and Finance Lease Commitments

Verticon Group Limited has no capital or finance lease commitments as at 30 June 2010.

(b) Lease Commitments

(i) Operating leases

The Group leases its office under non-cancellable operating leases expiring within 1 to 5 years. On renewal, the terms of the lease are renegotiated.

	Consolidated	
	2010	2009
	$'000	$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**133**	119
Later than one year but not later than five years	**144**	247
Later than five years	**-**	-
	277	366

25. 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 2010 owns 52% (2009 - 52%) of the issued ordinary shares of Verticon Group Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 26.

(c) Directors and key management personnel

Disclosures relating to directors and key management personnel are set out in note 21.

25. Related Party Transactions (continued)

(d) Transactions with related parties

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

	2010	2009
	$'000	$'000
(e) Loans to/from related parties		
Loans to (from) subsidiaries		
Beginning of the year	**-**	(1,938)
Share repurchase	**-**	1,893
Loans advanced	**-**	45
End of year	**-**	-

26. 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**	
			2010	2009
			%	%
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

27. Events occurring after the balance sheet date

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

In August 2010 Westpac agreed to the extension and restructure fee of $1,500 thousand, originally due 30 June 2011, to be deferred to the earlier of 31 December 2011 or the date of settlement of the Retail Precinct Project.

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

	Consolidated	
	2010	2009
	$'000	$'000
Profit/(loss) from ordinary activities after related income tax	**(2,764)**	(17,520)
Depreciation and amortisation	**110**	2,423
Non-cash finance costs	**2,299**	157
Net (gain)/loss on sale of non-current assets	**103**	(320)
Net (gain)/loss on sale of other business unit	**-**	10,043
Non-cash rental forgiven	**-**	(863)
Non-cash revenues	**(256)**	
Non-cash other expenses	**-**	389
Change in net assets and liabilities, net of effects from acquisitions:		
(Increase)/decrease in assets:		
Trade debtors	**3,551**	1,516
Deposits paid	**42**	12
Prepayments	**(140)**	291
Accrued Revenue	**-**	3,616
Other receivables	**336**	777
Increase/(decrease) in liabilities:	**-**	
Trade creditors	**(661)**	(199)
Employee provisions	**(32)**	(1,141)
Other operating liabilities	**(2,883)**	3,116
Net cash inflow from operating activities	**(295)**	2,297

29. Non-cash financing and investing activities

There were no non-cash financing and investing activities during the year.

30. Earnings per share

	Consolidated	
	2010	2009
	Cents	Cents
(a) Basic earnings per share		
Profit/(loss) from continuing operations attributable to the ordinary equity holders of the company	**(2.5)**	(6.0)
Profit/(loss) from discontinuing operations attributable to the ordinary equity holders of the company	**0.2**	(7.9)
Profit/(loss) attributable to the ordinary equity holders of the company	**(2.2)**	(13.8)
(b) Diluted earnings per share		
Profit/(loss) attributable to the ordinary equity holders of the company	**(2.2)**	(13.8)

	2010	2009
	$'000	$'000
(c) Reconciliations of earnings used in calculating earnings per share		
Basic earnings per share		
Profit/(loss) from continuing operations	**(3,076)**	(7,469)
Profit/(loss) from discontinued operations	**312**	(9,844)
Profit/(loss) attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**(2,764)**	(17,313)
Diluted earnings per share		
Profit/(loss) attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	**(2,764)**	(17,313)

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

	Consolidated	
	2010	2009
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**125,157,358**	125,157,358
Adjustments for calculation of diluted earnings per share	**-**	-
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	**125,157,358**	125,157,358

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

31. Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2010	2009
	$'000	$'000
Balance sheet		
Current assets	**3,076**	6,710
Total assets	**11,908**	18,961
Current liabilities	**46,265**	50,535
Total liabilities	**46,296**	50,585
Shareholders' equity		
Issued capital	**52,886**	52,886
Retained Earnings	**(87,274)**	(84,510)
	(34,388)	(31,624)
Loss for the year	**(2,764)**	(17,313)
Total comprehensive income	**(2,764)**	(17,313)

(b) Guarantees entered into by the parent entity

There were no guarantees entered into by the parent entity for the year ended 30 June 2010.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2010 or 30 June 2009.

(d) Contractual commitments for the acquisition of property, plant or equipment

As at 30 June 2010, the parent entity did not have any contractual commitments for the acquisition of property, plant or equipment.

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 2010 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

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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 20th day of August 2010.

PRICEWATERHOUSECOOPERS

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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), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Verticon Group Limited (the consolidated entity). 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 the financial statements comply 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.

PRICEWATERHOUSECOOPERS

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

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

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 consolidated entity's financial position as at 30 June 2010 and of its 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 and notes also comply 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 ongoing support of its lender and implementation of the new business strategy. These conditions along with other matters as set out in Note 1 (a) 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.

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

Report on the Remuneration Report

We have audited the remuneration report included in pages 5 to 9 of the directors' report for the year ended 30 June 2010. 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 2010, complies with section 300A of the *Corporations Act 2001*.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report and remuneration report of Verticon Group Limited (the company) for the year ended 30 June 2010 included on Verticon Group Limited's web site. The company's directors are responsible for the integrity of the Verticon Group Limited web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report and remuneration report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report or the remuneration report. 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 audited financial report and remuneration report to confirm the information included in the audited financial report and remuneration report presented on this web site.

PricewaterhouseCoopers

PricewaterhouseCoopers

Michael Shewan
Partner

Melbourne
20 August 2010

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Verticon Group Limited
Shareholder Information

The shareholder information set out below was applicable as at 20 August 2010.

A. Distribution of equity securities

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	103	-
5,001 - 10,000	126	-
10,001 - 100,000	227	-
100,001 - and over	73	-
	585	-

There were 534 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	65,356,966	52.22
Noel Henderson & Lyndsay Henderson <Avington Super Fund A/C>	7,608,267	6.08
Miss Fiona Helen Torrington	5,867,285	4.69
Mr Mason Teira	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 Trevor Neil Hay	1,738,788	1.39
Mr Bradley Victor Skelton	1,512,038	1.21
Mr Marco Pagliari & Mrs Marie-Therese Pagliari	1,350,000	1.08
Pennys Pty Ltd	1,348,960	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
Arcelia Pty Ltd <Round Hill Retire/Fund>	1,090,708	0.87
Mr Joseph Marko Horak <J&R Horak Super Fund A/C>	905,155	0.72
Mr Jose Martin Rodrigues Pimenta	878,232	0.70
J & D Faruggia Nominees Pty Ltd <The Farrugia Family A/C>	833,332	0.67
The Tortuga Company Pty Ltd	815,740	0.65
Mr Wei Chen	790,000	0.63
Ms Chongchit Cooper	566,300	0.45
	103,137,094	**82.41**

Verticon Group Limited
Shareholder Information

C. Substantial Shareholders

Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	**Percentage of issued shares**
Taraville Pty Ltd - D Goldberger & D Wieland	65,356,966	52.22
Avington Super Fund - N Henderson	7,608,267	6.08

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.

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	**Andrew Torrington**
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** 21st day of October 2010
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	Norton Rose 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