



21 February 2006

ASX ANNOUNCEMENT

VERTICON RECORDS HALF YEAR PROFIT OF \$1.36 MILLION

Verticon Group Limited today announced that it had recorded a net profit after tax for the half year to 31 December 2005 of \$1.36 million.

The profit was on turnover of \$23.29 million for the half year.

The comparison to the corresponding half year period for 2004 is not meaningful as the previous half year only included two weeks of trading.

Operations

The half year result was unsatisfactory and was influenced by a number of factors across the business.

The Victorian division produced a disappointing result due primarily to some legacy contracts that are still in place but will expire during the course of calendar 2006 as well as a bad debt provision.

As a result of Rixtam Construction Pty Ltd and Radius Cranes and Rigging Pty Ltd being placed in receivership, the company has increased its provision in the first half result for doubtful debts by a once off \$500,000. The Board believe that this is a conservative provision and is confident that ongoing discussions with the receivers will yield news on any potential recovery in the second half of this financial year.

Concentrated actions such as change in operational structure and management, tight cost control, closer liaison with customers regarding job scheduling and sales focus are continuing in the Victorian division to rectify identified problems, however the division's result will continue to be affected by some legacy contracts in the short term.

The Queensland division experienced a slowdown in industry activity as some building projects that were expected were delayed or deferred. Whilst market share was maintained by the Queensland division, the utilisation rate was lower than historical levels and was on average 62% for the half year.

The industry activity in Queensland was characterised by both a slowdown in the number of jobs as well as the volume of those jobs. This led to lower margins on labour and crane hire than expected.

Some anticipated equipment sales (cranes and hoists) also did not materialise in the first half.



In response to the performance in the Queensland division, the following actions have been undertaken to improve utilisation levels and increase margins:

- Ensure market share is maintained
- Concentrate on hiring smaller capacity cranes into builders who would normally use mobile cranes
- Focus on equipment sales in the second half
- Expand geographic coverage to Darwin for both hire and sale of cranes

Recent acquisitions, Fire Up Cranes and Rigging in New South Wales (September 2005) and Daniel Smith Industries in New Zealand (December 2005) continue to perform to expectations. In particular, the New Zealand acquisition is expected to contribute strongly to the second half of this financial year.

Outlook

Verticon has made solid progress in penetrating new geographical markets in the first half and the full effects of this movement will begin to flow through in the second half of the financial year. The increased geographical spread will also add a level of flexibility for Verticon to manage the tower crane fleet utilisation. In addition, the New Zealand acquisition provides Verticon with its first material exposure away from the construction sector to the infrastructure sector and this in-house experience should create additional opportunities in other geographic markets in which Verticon operates.

Guidance

Based on the performance of the company for the six months to 31 December 2005, and a review of the outlook and assumptions for the full year to 30 June 2006, the Board of Verticon has revised the earnings guidance to June 2006 to 4.0 to 4.5 cents basic earnings per share.

Chairman to Resign

The Chairman of Verticon Group Limited, Michael Butler commented "the Board and Verticon's executive group are disappointed with the poor result. We have taken the required remedial actions and believe that we have the right mechanisms in place to grow the business for the benefit of all shareholders. We have recruited a new CFO, Andrew Torrington, who has made an immediate and positive contribution to the financial and reporting systems of Verticon. With his appointment we have introduced additional rigour to our forecasting systems.



As a shareholder in the company, I share a deep sense of disappointment in this further deterioration in the short term earnings outlook for the company and accept a level of personal responsibility.

As a consequence I have decided to resign as a director of Verticon Group Limited effective today.”

In response to the performance of the business and the Chairman’s resignation, Non Executive Directors, and major shareholders of Verticon, David Goldberger and David Wieland, have reaffirmed their commitment to the long term success of the company and will increase their involvement in the day to day operations of the business as well as maintaining their roles as Directors of the company.

David Wieland has taken on the role of Chairman until a suitable long term appointment can be made. David commented “the Board and senior Management are committed to continue to work to improve the business performance and we confirm that the New South Wales and New Zealand acquisitions are meeting expectations.”

Dividends

In light of the disappointing performance with regard to expectations, the Board has resolved not to declare an Interim Dividend.

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