VERTICON GROUP LIMITED

ABN 53 111 398 040

Annual Financial Report

30 June 2007

Verticon Group Limited

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Annual financial report - 30 June 2007

Contents

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

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

Verticon Group Limited
Ground Floor
493 St Kilda Road
Melbourne Victoria 3004

A description of the nature of the consolidated entity's operations and its principal activities is included on pages 2-3 of the Directors' Report.

The financial report was authorised for issue by the Directors on 23 August 2007. 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 2007.

Directors

The following persons were directors of Verticon Group Limited at the date of this report:

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

Andrew Torrington was appointed a director 28 May 2007.

Rob Lockett resigned as a director 25 May 2007.

Denis Tomasel resigned as a director 27 March 2007.

Principal activity

The principal activity of the Group during the period was the hire of cranes and hoists.
There were no significant changes in the nature of the Company's principal activity during the period.

Dividends

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

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

Review of operations

Net loss after tax was $9.49m on turnover of $50.4m.

Included in the result is a $8.22m write down in non revenue earning plant and equipment identified as part of a stocktake and re-valuation of the Verticon fleet in December 2006. The operating performance of the Group was affected by decreasing margins in the Queensland business as well as a poor first half result for the Victorian business.

Significant changes in the state of affairs

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

	2007 **$'000**
(a) Significant gains and expenses	
Gains:	
Exchange gain on New Zealand loan account	1,396
Expenses:	
Impairment of assets and goodwill	8,463
Bad Debts	1,162

Matters subsequent to the end of the financial year

The Directors are not aware of any matter or circumstance that has arisen since 30 June 2007 that has significantly affected, or may significantly affect:
a) the Group's operations in future financial years, or
b) the results of those operations in future financial years, or
c) the Group's state of affairs in future financial years.

Likely developments and expected results of operations

The directors foresee that the market share across the group will remain strong with increases in both New Zealand and Victoria as part of the expansion of the tower crane division in these Regions.

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

Environmental regulation

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

Information on Directors

Noel Henderson. Chairmain (Executive). Age 61.
Experience and expertise
Noel has worked in the construction sector throughout Australia, the United Kingdom, New Zealand and the United Emirates for 37 years. He is a former Chairman of the construction division of Multiplex Group Limited.

Other current directorships of listed companies
None.

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

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

Interests in shares and options
1,695,800 ordinary shares in Verticon Group Limited.

Andrew Torrington B Comm MBA Director (Executive). Age 36.
Experience and expertise
Andrew has more than 13 years experience in the construction and development industry in Australia, the United Kingdom and New Zealand. Before joining Verticon Andrew was a Director of Multiplex.

Other current directorships of listed companies
None.

Former directorships of listed companies in last three years
Director of Multiplex from 2003 to 2004.

Special responsibilities
Member of Occupational Health, Safety and Environmental Committee

Interests in shares and options
100,000 ordinary shares in Verticon Group Limited.

David Goldberger. Director (Non Executive). Age 59.
Experience and expertise
David has extensive experience in petrol retailing, property development and construction.

Other current directorships of listed companies
None.

Former directorships of listed companies in last three years
None.

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

Interests in shares and options
16,238,333 ordinary shares in Verticon Group Limited.

David Wieland. Director (Non Executive). Age 62.
Experience and expertise
David has extensive experience in petrol retailing, property development and construction.

Other current directorships of listed companies
None.

Former directorships of listed companies in last three years
None.

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

Interests in shares and options
16,238,333 ordinary shares in Verticon Group Limited.

Sam Fink Bec, CPA. Director (Non Executive). Age 62.
Experience and expertise
Sam has been involved in commercial and retail property development.

Other current directorships of listed companies
None.

Former directorships of listed companies in last three years
None.

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

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

Company Secretary

The company secretary is Chris Hipwell B.Comm, CA. Chris was appointed Chief Financial Officer and Company Secretary on 28 May 2007.

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 2007, and the numbers of meetings attended by each Director were:

	Full meetings of directors		Meetings of committees							
			Audit		Nomination		Remuneration		OH&S	
	A	B	A	B	A	B	A	B	A	B
N Henderson	11	11	*	*	1	1	*	*	2	2
A Torrington (appointed 28 May 2007)	1	1	*	*	*	*	*	*	*	*
D Goldberger	11	11	2	3	1	1	2	2	*	*
D Wieland	11	11	3	3	1	1	2	2	*	*
S Fink	11	11	3	3	*	*	1	2	*	*
R Lockett (resigned 25 May 2007)	10	10	*	*	*	*	*	*	2	2
D Tomasel (resigned 27 March 2007)	8	9	*	*	*	*	*	*	*	*

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 (audited)

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

Executive remuneration and their terms of employment will be reviewed annually by the 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.

Verticon Group Limited

Directors' Report

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

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

B. Details of remuneration (audited)

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

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

Daniel Smith	General Manager - New Zealand
Jason Redman	General Manager - New South Wales
Rod Samimi	General Manager - Queensland
Michael Martin	General Manager - Victoria
Chris Hipwell	Chief Financial Officer & Company Secretary

The key management personnel of Verticon Group Limited are as per above excluding Daniel Smith who is employed by the subsidiary Verticon New Zealand Limited. There are no other key management personnel or executives of the parent entity.

Directors of Verticon Group

30 June 2007	Short term employee benefits		Post employment benefits	Share-based payments		
Directors	**Cash salary and fees $**	**Non monetary benefits $**	**Super-annuation $**	**Shares $**	**Options $**	**Total $**
Noel Henderson	242,313	-	12,686	139,510	-	394,509
Andrew Torrington (from 28/05/2007 - 30/06/2007)	24,852	372	1,057	-	-	26,281
David Goldberger *	-	-	-	-	-	-
David Wieland *	-	-	-	-	-	-
Sam Fink	36,697	-	3,303	-	-	40,000
Rob Lockett (from 01/07/2006 - 25/05/2007)	372,554	3,716	12,686	-	-	388,956
Denis Tomasel (from 01/07/2006 - 27/03/2007)	207,556	-	12,686	-	-	220,242
Total	**883,972**	**4,088**	**42,418**	**139,510**	**-**	**1,069,988**

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

Verticon Group Limited
Directors' Report

B. Details of remuneration (audited) (continued)

30 June 2006

	Short term employee benefits		Post employment benefits	Share-based payments		
Directors	**Cash salary and fees $**	**Non monetary benefits $**	**Super-annuation $**	**Shares $**	**Options $**	**Total $**
Noel Henderson (from 17/03/2006 - 30/06/2006)	70,394	125	3,906	-	-	74,425
David Goldberger *	-	-	-	-	-	-
David Wieland *	-	-	-	-	-	-
Sam Fink (from 26/04/2006 - 30/06/2006)	6,575	-	592	-	-	7,167
Rob Lockett (from 07/06/2006 - 30/06/2006)	118,760	-	1,012	-	-	119,772
Denis Tomasel	212,500	-	90,000	-	-	302,500
Michael Butler (from 01/07/2005 - 22/02/2006)	72,667	-	-	-	-	72,667
Mark Kevin (from 01/07/2005 - 26/04/2006)	309,612	27,336	27,000	-	-	363,948
Total	**790,508**	**27,461**	**122,510**	**-**	**-**	**940,479**

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

30 June 2007

	Short term employee benefits		Post employment benefits	Share-based payments		
Key Management Personnel	**Cash salary and fees $**	**Non monetary benefits $**	**Super-annuation $**	**Shares $**	**Options $**	**Total $**
Daniel Smith	222,221	-	-	-	-	222,221
Jason Redman	278,129	-	12,686	-	-	290,815
Rodney Samimi	290,702	6,553	12,686	-	-	309,941
Michael Martin	117,120	-	10,572	-	-	127,692
Chris Hipwell (from 28/05/2007 - 30/06/2007)	11,086	-	998	-	-	12,084
Andrew Torrington (from 01/07/2006 - 27/05/2006)	273,368	4,087	11,629	-	-	289,084
Total	**1,192,626**	**10,640**	**48,571**	**-**	**-**	**1,251,837**

B. Details of remuneration (audited) (continued)

30 June 2006

	Short term employee benefits		Post employment benefits	Share-based payments		
Key Management Personnel	**Cash salary and fees $**	**Non monetary benefits $**	**Super-annuation $**	**Shares $**	**Options $**	**Total $**
Andrew Torrington (from 09/01/2006 - 30/06/2006)	108,359	706	6,641	-	-	115,706
Daniel Smith (from 01/12/2005 - 30/06/2006)	112,814	-	-	-	-	112,814
Jason Redman (from 01/09/2005 - 30/06/2006)	158,333	-	14,250	-	-	172,583
Rodney Samimi	210,000	11,584	29,800	-	-	251,384
Leon Key (from 01/07/2005 - 31/01/2006)	105,489	-	-	-	-	105,489
Peter Cooper (from 01/07/2005 - 06/01/2006)	104,273	5,367	21,223	-	-	130,863
Total	**799,268**	**17,657**	**71,914**	**-**	**-**	**888,839**

C. Service agreements (audited)

Remuneration and other terms of employment for the Executive Chairman, Managing Director and the other key management personnel are formalised in service agreements. Each of these agreements provides for the provision of short term incentive (performance related) payments.

Noel Henderson, Executive Chairman
- Term of agreement - three years commencing 17 March 2006.
- Base salary, inclusive of superannuation, for the year ended 30 June 2007 of $300,000 to be reviewed annually by the Remuneration Committee.
- Termination of contract is subject to three months notice by either party. No termination benefits are payable on expiry or early termination of contract.
- Share based payments for long term incentive are on a on market purchase.

Andrew Torrington, Managing Director
- Term of agreement - five years commencing 28 May 2007.
- Base salary, inclusive of superannuation, for the year ended 30 June 2007 of $340,000 to be reviewed annually by the Remuneration Committee.
- Termination of contract is subject to three months notice by either party. No termination benefits are payable on expiry or early termination of contract.

Daniel Smith, General Manager - New Zealand
- Term of agreement - five years commencing 1 December 2005.
- Base salary for the year ended 30 June 2007 of $230,000 to be reviewed annually by the Remuneration Committee.
- Termination of contract is subject to four months notice by either party. No termination benefits are payable on expiry or early termination of contract.

C. Service agreements (audited) (continued)

Jason Redman, General Manager - New South Wales
- Term of agreement - five years commencing 1 September 2005.
- Base salary, inclusive of superannuation, for the year ended 30 June 2007 of $240,000 to be reviewed annually by the Remuneration Committee.
- Termination of contract is subject to six months notice by either party. No termination benefits are payable on expiry or early termination of contract.

Rod Samimi, General Manager - Queensland
- Term of agreement - five years commencing 18 April 2005.
- Base salary, inclusive of superannuation, for the year ended 30 June 2007 of $275,000 to be reviewed annually by the Remuneration Committee.
- Termination of contract is subject to six months notice by either party. No termination benefits are payable on expiry or early termination of contract.

Michael Martin, General Manager - Victoria
- Term of agreement - five years commencing 11 September 2006.
- Base salary, inclusive of superannuation, for the year ended 30 June 2007 of $160,000 to be reviewed annually by the Remuneration Committee.
- Termination of contract is subject to three months notice by either party. No termination benefits are payable on expiry or early termination of contract.

Chris Hipwell, Chief Financial Officer & Company Secretary
- Term of agreement - five years commencing 28 May 2007.
- Base salary, inclusive of superannuation, for the year ended 30 June 2007 of $145,000 to be reviewed annually by the Remuneration Committee.
- Termination of contract is subject to three months notice by either party. No termination benefits are payable on expiry or early termination of contract.

Insurance of officers

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

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

Proceedings on behalf of the Company

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

Non-audit services

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

Non-audit services (continued)

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:

	2007 **$**
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)	228,000
Total remuneration for audit services	**228,000**
2. Other assurance services	
Fees paid to PricewaterhouseCoopers New Zealand firm:	
Due Diligence	22,797
Other Services	20,492
Total remuneration for other assurance services	**43,289**
Total remuneration for assurance services	**271,289**
Taxation services	
Fees paid to PricewaterhouseCoopers Australian firm:	
Tax compliance services	85,285
Fees paid to non PricewaterhouseCoopers firms for other tax compliance services	7,400
Total remuneration for taxation services	**92,685**

Verticon Group Limited
Directors' Report

Auditor’s Independence Declaration

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

Rounding of amounts to nearest thousand dollars

The Company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report and Financial Report. Amounts in the Directors' Report and Financial Report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

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

Noel Henderson
Chairman

Andrew Torrington
Managing Director

Signed at Melbourne, Dated this 23rd day of August 2007.

PricewaterhouseCoopers
ABN 52 780 433 757

Freshwater Place
2 Southbank Boulevard
SOUTHBANK VIC 3006
GPO Box 1331L
MELBOURNE VIC 3001
DX 77
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Telephone 61 3 8603 1000
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Auditor's Independence Declaration

As lead auditor for the audit of Verticon Group Limited for the year ended 30 June 2007, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Chris Dodd
Partner
PricewaterhouseCoopers

Melbourne
23 August 2007

Verticon Group Limited

Corporate Governance Statement

As a listed company with Australian Stock Exchange Limited (ASX), Verticon Group Limited must comply with the ASX Listing Rules, which were amended on 1 January, 2003 to enhance compliance by listed companies with corporate governance best practice.

These provisions require listed companies to report on their main corporate governance practices by reference to the essential corporate governance principles (Principles) and best practice recommendations (Recommendations) of the ASX Corporate Governance Council (the Council), and require a company to highlight those areas of departure from the Recommendations of the Council and explain that departure.

Principle 1 – Lay solid foundations for management and oversight

<u>Recommendation 1.1</u> - Formalise and disclose the functions reserved to the Board and those delegated to management.

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 currently delegated to the Executive Chairman responsibility for the formulation of the Company's strategy and business planning. It has delegated to the Managing Director the management of the day-to-day operations and administration of the Company, consistent with the objectives and policies set down by the Board. The Managing Director is directly accountable to the Board for the performance of the management team.

Principle 2 – Structure the Board to add value

<u>Recommendation 2.1</u> - A majority of the Board should be independent directors

<u>Recommendation 2.2</u> - The chairperson should be an independent director

<u>Recommendation 2.3</u> - The roles of chairperson 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 – two executive directors (the Executive Chairman and the Managing Director) and three non-executive directors. Two of the non-executive directors are assessed as not being independent due to a significant shareholding in the Company.

The criteria for assessing whether a director is independent are:

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

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

Recommendation 2.4 - The Board should establish a Nomination Committee

The Board has established a Nomination Committee, the Charter of which has been posted on the Company's website at www.verticon.com.au. The Nomination Committee comprises a minimum of two directors. The current members are Noel Henderson (Chairman), David Wieland and David Goldberger.
The Directors' terms of appointment are governed by the Constitution of the Company. A Director appointed to fill a casual vacancy, or as an addition to the Board, only holds office until the next general meeting of members and must then retire. After providing for the foregoing, one-third of the remaining Directors (excluding the Managing Director) must retire at each annual general meeting of members. The term of office held by each director in office at the date of this Annual Report is set out in the Directors Report.

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

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

Principle 3 – Promote ethical and responsible decision-making

Recommendation 3.1 - Establish a code of conduct to guide the directors, the Managing Director and any other key executives as to:
3.1.1 the practices necessary to maintain confidence in the Company's integrity; and
3.1.2 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 - Disclose the policy concerning trading in Company securities by directors, officers and employees.

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

Principle 4 – Safeguard integrity in financial reporting

Recommendation 4.1 - Require the Managing Director and the Chief Financial Officer to state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

The Managing Director and the Chief Financial Officer have provided a statement to the Board dated 23 August 2007 that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

Recommendation 4.2 - 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 4.3 - Structure the Audit Committee so that it consists of;

- only non-executive directors
- a majority of independent directors
- an independent chairperson, who is not chairperson of the Board
- at least three members

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

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

Recommendation 4.4 - The Audit Committee should have a formal charter

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

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

Principle 5 – Make timely and balanced disclosure

Recommendation 5.1 - Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance

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

Principle 6 – Respect the rights of shareholders

Recommendation 6.1 - Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.

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

Recommendation 6.2 - Request the external auditor to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

This has been done and the Company's external auditor will be attending the Annual General Meeting.

Principle 7 – Recognise and manage risk

Recommendation 7.1 - The Board or relevant Board Committee should establish policies on risk oversight and management.

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 Managing Director and the Chief Financial Officer should state to the Board in writing that:
7.2.1 the statement given in accordance with best practice Recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies of the Board; and
7.2.2 the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

The Managing Director and the Chief Financial Officer have provided a statement to the Board dated 23 August 2007 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.

Principle 8 – Encourage enhanced performance

Recommendation 8.1 - Disclose the process for performance evaluation of the Board, its Committees and individual directors, and key executives.

The Nomination Committee reviewed appropriate processes in September 2006 and the annual review of the performance of each director and the Board as a whole was conducted in September 2006.

Principle 9 – Remunerate fairly and responsibly

Recommendation 9.1 - Provide disclosure in relation to the Company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.

A full discussion of the Company's remuneration philosophy and framework and the remuneration received by directors and executives in the current financial year is included in the Remuneration Report, which is contained within the Directors' Report at pages 5-9.

Details of the Company's remuneration policy and the total remuneration, including monetary and non-monetary components, payable to each Director and specified executive is included in Note 26 of the Financial Statements.

Recommendation 9.2 - The Board should establish a Remuneration Committee

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

Recommendation 9.3 - Clearly distinguish the structure of Non-Executive Director's remuneration from that of executives

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

The remuneration of Directors and five senior executives of the Company are set out at pages 6-8 of the Directors Report. The disclosure sets out the salary, fees, bonus entitlements, 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.

Principle 10 – Recognise the legitimate interests of stakeholders

Recommendation 10.1 - Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.

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

Verticon Group Limited

Income statement

For the year ended 30 June 2007

	Notes	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent entity 2007 $'000	Parent entity 2006 $'000
Revenue from continuing operations	5	**47,634**	49,963	**39,311**	37,214
Other income	6	**2,801**	477	**383**	477
Employee benefits expense		**(26,196)**	(23,236)	**(24,147)**	(20,088)
Depreciation and amortisation expense	7	**(6,386)**	(4,836)	**(4,560)**	(3,621)
Bad and doubtful debts	10	**(1,162)**	(829)	**(1,121)**	(829)
Finance costs	7	**(5,265)**	(3,404)	**(4,295)**	(1,813)
Equipment hire and consumables used		**(3,859)**	(3,222)	**(2,762)**	(2,001)
Inventories expensed	11	**(281)**	(1,862)	**(281)**	(1,744)
Impairment of goodwill	15	**(243)**	(56)	**(243)**	(56)
Impairment of assets	12	**(8,220)**	-	**(8,072)**	-
Subcontractors		**(4,832)**	(3,426)	**(2,682)**	(3,031)
Administration expenses		**(3,298)**	(2,285)	**(2,956)**	(1,630)
Rental expenses		**(788)**	(590)	**(681)**	(533)
Other expenses		**(3,730)**	(3,952)	**(3,276)**	(3,300)
Profit/(Loss) before income tax		**(13,825)**	2,742	**(15,382)**	(955)
Income tax benfit/(expense)	8	**4,336**	(1,049)	**4,739**	306
Profit/(Loss) attributable to members of Verticon Group Limited		**(9,489)**	1,693	**(10,643)**	(649)
		Cents	Cents		
Earnings per share for profit attributable to the ordinary equity holders of the company:					
Basic earnings per share	35	**(15.2)**	2.7		
Diluted earnings per share	35	**(15.2)**	2.7		

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

Verticon Group Limited

Balance sheet

As at 30 June 2007

	Notes	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent entity 2007 $'000	Parent entity 2006 $'000
ASSETS					
Current Assets					
Cash and cash equivalents	9	**84**	304	**83**	17
Trade and other receivables	10	**17,659**	13,732	**14,387**	10,235
Current Tax Assets		**-**	132	**-**	132
Inventories	11	**-**	281	**-**	281
Total current assets		**17,743**	14,449	**14,470**	10,665
Non-current Assets					
Property, plant and equipment	12	**75,564**	82,525	**51,232**	51,119
Other financial assets	13	**-**	-	**10,031**	14,881
Deferred tax assets	14	**5,645**	1,864	**5,558**	1,777
Intangible assets	15	**15,847**	15,591	**6,741**	5,962
Other receivables	16	**-**	-	**16,857**	-
Total non-current assets		**97,056**	99,980	**90,419**	73,739
Total assets		**114,799**	114,429	**104,889**	84,404
LIABILITIES					
Current liabilities					
Trade and other payables	17	**5,718**	13,421	**7,179**	4,059
Current Tax Liabilities		**44**	21	**-**	-
Borrowings	18	**16,555**	9,666	**14,818**	9,127
Provisions	19	**1,009**	957	**950**	842
Total current liabilities		**23,326**	24,065	**22,947**	14,028
Non-current liabilities					
Borrowings	20	**47,702**	37,589	**41,983**	18,838
Deferred tax liabilities	21	**829**	1,636	**148**	1,240
Provisions	22	**157**	-	**157**	-
Total non-current liabilities		**48,688**	39,225	**42,288**	20,078
Total liabilities		**72,014**	63,290	**65,235**	34,106
Net assets		**42,785**	51,139	**39,654**	50,298
EQUITY					
Contributed equity	23	**49,463**	49,463	**49,463**	49,463
Reserves	24	**(365)**	(1,500)	**-**	-
Retained profits	24	**(6,313)**	3,176	**(9,809)**	834
Total equity		**42,785**	51,139	**39,654**	50,297

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

Verticon Group Limited

Statements of changes in equity

For the year ended 30 June 2007

	Notes	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent entity 2007 $'000	Parent entity 2006 $'000
Total equity at the beginning of the financial year		**51,139**	53,777	**50,297**	53,777
Exchange differences on translation of foreign operations	24	**1,135**	(1,500)	**-**	-
Net income recognised directly in equity		**1,135**	(1,500)	**-**	-
Profit/(loss) for the year		**(9,489)**	1,693	**(10,643)**	(649)
Total recognised income and expense for the year		**(8,354)**	193	**(10,643)**	(649)
Transactions with equity holders in their capacity as equity holders:					
Employee share options	24	**-**	(14)	**-**	(14)
Dividends provided for or paid	25	**-**	(2,817)	**-**	(2,817)
		-	(2,831)	**-**	(2,831)
Total equity at the end of the financial year		**42,785**	51,139	**39,654**	50,297
Total recognised income and expense for the year is attributable to:					
Members of Verticon Group Limited		**(8,354)**	193	**(10,643)**	(649)
		(8,354)	193	**(10,643)**	(649)

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

Verticon Group Limited

Cash flow statement

For the year ended 30 June 2007

	Notes	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent entity 2007 $'000	Parent entity 2006 $'000
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		**54,783**	52,217	**41,680**	40,553
Payments to suppliers and employees (inclusive of goods and services tax)		**(50,044)**	(43,341)	**(36,052)**	(35,201)
		4,739	8,876	**5,628**	5,352
Interest received		**-**	18	**-**	9
Interest paid		**(5,101)**	(2,758)	**(2,752)**	(1,781)
Income taxes paid		**(307)**	(1,875)	**(134)**	(1,206)
Net cash inflow from operating activities	33	**(669)**	4,261	**2,742**	2,374
Cash flows from investing activities					
Payment for subsidiary, net of cash acquired		**-**	(4,627)	**-**	(15,113)
Payments for property, plant and equipment		**(12,219)**	(42,292)	**(11,397)**	(7,724)
Proceeds from sale of property, plant and equipment		**4,529**	2,251	**670**	2,251
Cash received from subsidary upon consolidation		**-**	-	**287**	-
Payment of deferred consideration		**(8,208)**	-	**-**	-
Net cash (outflow) from investing activities		**(15,898)**	(44,668)	**(10,440)**	(20,586)
Cash flows from financing activities					
Proceeds from borrowings		**29,490**	41,535	**29,490**	19,614
Repayment of borrowings		**(14,649)**	(398)	**(2,360)**	(441)
Intercompany loan		**-**	-	**(21,071)**	-
Dividends paid to company's shareholders		**-**	(2,817)	**-**	(2,817)
Net cash inflow from financing activities		**14,841**	38,320	**6,059**	16,356
Net (decrease) in cash and cash equivalents		**(1,726)**	(2,087)	**(1,639)**	(1,856)
Cash and cash equivalents at the beginning of the year		**(4,014)**	(1,851)	**(3,763)**	(1,851)
Effects of exchange rate changes on cash and cash equivalents		**8**	(76)	**(1)**	(56)
Cash and cash equivalents at end of the year	9	**(5,732)**	(4,014)	**(5,403)**	(3,763)

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

1. Summary of significant accounting policies

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

(a) Basis of preparation

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

Compliance with IFRS
Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated and parent financial statements and notes of Verticon Group Limited comply with International Financial Reporting Standards (IFRS).

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.

(b) Principles of consolidation

Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Verticon Group Limited as at 30 June 2007 and the results of all subsidiaries for the year then ended. Verticon Group Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(h)).

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

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

1. Summary of significant accounting policies (continued)

(c) Segment reporting

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

(d) 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.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or borrowings forming part of the net investment are repaid, 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 entity and translated at the closing rate.

1. Summary of significant accounting policies (continued)

(e) 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 entitiy and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

(f) 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 45-60 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. A provision for impairment of trade receivables is established 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 bankrupcy or financial reorganisation and default or delinquency in payments (more than 45 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision 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 provision is recognised in the income statement in other expenses.

(g) 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.

(h) Business combinations

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

1. Summary of significant accounting policies (continued)

(h) Business combinations (continued)

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

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

(i) 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 reviewed 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.

(j) Cash and cash equivalents

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

(k) 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 financial period in which they are incurred (note 1(l)).

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. Verticon Group Limited have reviewed their depreciation rates for its property plant and equipment and from that review, have revised the useful lives of their property plant and equipment as follows:

	Post 31 Dec 2006	**Pre 31 Dec 2006**
● Cranes, hoists and parts	5 to 20 years	3 to 20 years
● Other plant and equipment	3 to 15 years	3 to 10 years
● Motor vehicles	2 to 7 years	2 to 7 years

The effect of the change in useful lives in this period is an estimated additional depreciation charge of $900,000.

1. Summary of significant accounting policies (continued)

(k) Property, plant and equipment (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(i)).

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

(l) Maintenance and repairs

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

(m) Employee benefits

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

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

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

(n) 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. 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.

1. Summary of significant accounting policies (continued)

(n) Leases (continued)

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessor 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.

(o) Intangible Assets

(i) Goodwill

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

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

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

(p) Investments and other financial assets

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

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

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

(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.

1. Summary of significant accounting policies (continued)

(r) Non-current assets constructed by Verticon Group Limited

The cost of non-current assets constructed by the Company includes the cost of all materials used in construction and direct labour on the project.

(s) 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 balance sheet 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.

(t) Income tax

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

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

1. Summary of significant accounting policies (continued)

(t) Income tax (continued)

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.

Verticon Group Limited has a Tax Funding and Sharing Agreement.

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

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

(u) 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.

(v) 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, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

(w) Dividends

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

1. Summary of significant accounting policies (continued)

(x) 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 shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(y) Rounding of amounts

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 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.

(z) New accounting standards and interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2007 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 7 Financial Instruments: Disclosures and AASB 2005-10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 &AASB 1038]
AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The Group has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's and the parent entity's financial instruments.

(aa) Going concern

As at 30 June 2007 the Company has a working capital deficiency and has also experienced an operating loss and negative cash flows for the financial year ending on that date. Although the Company is in technical breach of debt covenants existing at the date of the financial statements, the Company is currently in discussions with Westpac regarding revised facilities and covenants going forward.

The directors believe that the Company will be able to continue as a going concern, and therefore realise its assets and settle its liabilities and commitments in the normal course of business and for at least the amounts stated in the financial report. The financial report has been prepared on a going concern basis, because the directors believe the Company will be successful in the following actions being carried out by management within the next twelve months to improve the current financial position and cash flow of the Company:

i) disposing of assets that are not considered part of the Company’s core business
ii) disposing of underperforming Company divisions and assets
iii) utilising alternative leasing arrangements
iv) extending the due dates of existing loans and agreeing appropriate covenants
v) reducing yard and workshop expenditures by consolidating into single yards
vi) seeking additional capital alternatives
vii) no dividend has been declared for the 2007 financial year. A dividend strategy will be finalised as part of any capital restructure

2. Financial risk management

The Group's activities expose it to a variety of financial risks; market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by the head office finance department under direction from the Board of Directors. The finance department identifies, evaluates and manages financial risks in close co-operation with the Group's operating units and subsidiaries.

(a) Market risk

(i) Foreign exchange risk
Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

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

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

(iii) Fair value interest rate risk
Refer to (d) below.

(b) Credit risk

The Group has no concentrations of credit risk. The Group has policies in place to ensure sales are made to customers with an appropriate credit history.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Verticon aims at maintaining flexibility in funding by keeping committed credit lines available.

(d) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are not materially exposed to changes in market interest rates.

The Group's interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the group to cash-flow interest rate risk. Borrowing issued at fixed rates expose the Group to fair value interest rate risk. Group policy is to regularly review borrowing terms. Currently borrowings are at variable 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 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. Directors do not believe there are any estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(i) Estimated impairment of goodwill
The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy note stated in note 1 (i). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations.

Critical judgements in applying the entity's accounting policies

During the year the consolidated entity reassessed the carrying amount of its fixed assets for indicators of impairment. Estimates of recoverable amounts for each individual asset was assessed as the higher of the assets fair value less costs to sell or the assets value in use. The assets value in use was determined by discounting each asset's estimated future cash flows at an appropriate discount rate.

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

4. Segment information

Business segments

The consolidated entity is organised on a global basis and operates in one segment only, that being the hire of cranes and hoists.

Geographic segments

Although the consolidated entities are managed on a global basis, they operate in two main geographical areas:

Australia
The home country of the parent entity which is also the main operating entity.

New Zealand
Comprises operations carried out in New Zealand.

	Segment revenues from sales to external customers		Segment assets		Acquisition of property plant and equipment, intangible and other non current segment assets	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000	**2007 $'000**	2006 $'000
Australia	**39,694**	42,996	**73,790**	75,531	**11,397**	12,675
New Zealand	**10,741**	7,444	**41,009**	38,898	**822**	43,395
	50,435	50,440	**114,799**	114,429	**12,219**	56,070

Segment revenues are allocated based on the country in which the customer is located. Segment assets and capital expenditure are allocated based on where the assets are located.

5. Revenue

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
From continuing operations				
Sales revenue				
Sales of services	**46,644**	48,674	**36,194**	35,933
Sales of goods	**990**	1,271	**990**	1,272
	47,634	49,945	**37,184**	37,205
Other Revenue				
Dividend Income	-	-	**708**	-
Interest	**-**	18	**1,419**	9
	47,634	49,963	**39,311**	37,214

6. Other income

Net gain on disposal of property plant and equipment	**1,405**	477	**383**	477
Foreign exchange gain/(loss)	**1,396**	-	**-**	-
	2,801	477	**383**	477

7. Expenses

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Profit before income tax includes the following specific expenses:				
Depreciation and amortisation				
Plant and Equipment	**5,774**	4,379	**3,948**	3,164
Leasehold improvements	**4**	1	**4**	1
Plant and Equipment under finance lease	**408**	257	**408**	257
	6,186	4,637	**4,360**	3,422
Amortisation of sign on fees	**200**	200	**200**	200
	6,386	4,836	**4,560**	3,621
Finance costs				
Interest and finance charges paid/payable	**5,265**	3,404	**4,295**	1,813
Rental expense relating to operating leases				
Minimum lease payments	**788**	590	**681**	533
Defined contribution superannuation expenses	**1,546**	1,882	**1,546**	1,741

8. Income tax expense

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
(a) Income tax expense				
Current tax	**118**	220	**-**	(826)
Deferred tax	**(4,454)**	841	**(4,739)**	532
Under (over) provided in prior years	**-**	(12)	**-**	(12)
	(4,336)	1,049	**(4,739)**	(306)
Income tax expense is attributable to:				
Profit/(Loss) from continuing operations	**(4,336)**	1,049	**(4,739)**	(306)
Aggregate income tax expense	**(4,336)**	1,049	**(4,739)**	(306)
Deferred income tax (revenue) expense included in income tax expense comprises:				
Decrease (increase) in deferred tax assets (note 14)	**(3,781)**	(130)	**(3,781)**	(43)
(Decrease) increase in deferred tax liabilities (note 21)	**(807)**	971	**(1,092)**	575
(Decrease) increase in current tax asset	**134**	-	**134**	-
	(4,454)	841	**(4,739)**	532
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit/(Loss) from continuing operations before income tax expense	**(13,825)**	2,742	**(15,382)**	(955)
Tax at the Australian tax rate of 30% (2006 - 30%)	**(4,148)**	823	**(4,615)**	(287)
Tax expense not provided for in current year	**-**	-	**-**	-
Tax	**(4,148)**	823	**(4,615)**	(287)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Depreciation and amortisation	**-**	25	**-**	17
Share based payments	**-**	(4)	**-**	(4)
Sundry items	**(304)**	138	**(124)**	(20)
	(304)	159	**(124)**	(7)
Difference in overseas tax rates	**136**	79	**-**	-
Under (over) provision in prior year	**(20)**	(12)	**-**	(12)
Income tax expense	**(4,336)**	1,049	**(4,739)**	(306)

8. Income tax expense (continued)

Tax consolidation legislation

Verticon Group Limited and its wholly-owned Australian controlled entities have 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.

9. Current assets - Cash and cash equivalents

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Cash at bank and on hand	**84**	304	**83**	17
	84	304	**83**	17

(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 statements of cash flows as follows:

Balances as above	**84**	304	**83**	17
Bank overdrafts (note 17)	**(5,816)**	(4,318)	**(5,486)**	(3,780)
Balances per statements of cash flows	**(5,732)**	(4,014)	**(5,403)**	(3,763)

(b) Cash at bank and on hand

These are non-interest bearing.

10. Current assets - Trade and other Receivables

Trade receivables	**12,654**	12,277	**5,521**	8,929
Provision for doubtful receivables	**(274)**	(64)	**(250)**	(64)
	12,380	12,213	**5,271**	8,865
Intercompany loan receivable	**-**	-	**4,214**	-
Other receivables	**536**	681	**378**	638
Accrued revenue	**3,938**	430	**3,732**	430
Prepayments	**805**	408	**792**	302
	17,659	13,732	**14,387**	10,235

(a) Bad and doubtful trade receivables

The group has recognised a loss of $1,161,633 (2006: $829,000) in respect of bad and doubtful trade receivables during the year ended 30 June 2007, as shown in the income statement.

(b) Other receivables

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

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

(c) Deposits paid

These amounts generally arise from transactions where orders for equipment are made, and the supplier requires a deposit to be paid. Collateral is not normally obtained.

(d) Effective interest rate

All trade and other receivables are not subject to interest.

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

11. Current assets - Inventories

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Raw materials and stores - at cost	-	220	-	220
Work in progress - at cost	-	61	-	61
	-	281	-	281

Inventory expense

Inventories recognised as expense during the year ended 30 June 2007 amounted to $281,000 (2006: $1,862,000).

12. Non current assets - Property, plant and equipment

Consolidated	Work in progress $'000	Freehold land $'000	Leasehold improvements $'000	Plant and equipment $'000	Leased plant & equipment $'000	Total $'000
Year ended 30 June 2006						
Opening net book amount	71	1,217	-	45,824	1,439	48,551
Additions	593	-	35	5,334	3,986	9,948
Additions through acquisition of entities	-	-	-	34,785	-	34,785
Disposals	-	(1,217)	-	(168)	(389)	(1,774)
Transfer of completed assets to other PP&E	(542)	-	-	542	-	-
Depreciation expense	-	-	(1)	(4,379)	(257)	(4,637)
Exchange Differences	-	-	-	(4,348)	-	(4,348)
Carrying amount at 30 June 2006	122	-	34	77,590	4,779	82,525
At 30 June 2006						
- Cost	122	-	35	83,481	5,054	88,692
Accumulated depreciation	-	-	(1)	(5,891)	(275)	(6,167)
Net book amount	122	-	34	77,590	4,779	82,525
Year ended 30 June 2007						
Opening net book amount	122	-	34	77,590	4,779	82,525
Additions	-	-	-	5,002	7,217	12,219
Impairment Loss	-	-	-	(8,220)	-	(8,220)
Disposals	-	-	-	(7,428)	-	(7,428)
Transfer of completed assets to other PP&E	(122)	-	-	122	-	-
Depreciation expense	-	-	(4)	(5,774)	(408)	(6,186)
Exchange Differences	-	-	-	2,654	-	2,654
Carrying amount at 30 June 2007	-	-	30	63,946	11,588	75,564
At 30 June 2007						
- Cost	-	-	35	72,957	12,271	85,263
Accumulated depreciation	-	-	(5)	(9,011)	(683)	(9,699)
Net book amount	-	-	30	63,946	11,588	75,564

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

Parent entity	Work in progress $'000	Freehold land $'000	Leasehold improvements $'000	Plant and equipment $'000	Leased plant & equipment $'000	Total $'000
Year ended 30 June 2006						
Opening net book amount	71	1,217	-	45,824	1,439	48,551
Additions	580	-	35	3,163	3,986	7,764
Disposals	-	(1,217)	-	(168)	(389)	(1,774)
Transfer of completed assets to other PP&E	(542)	-	-	542	-	-
Depreciation expense	-	-	(1)	(3,164)	(257)	(3,422)
Carrying amount at 30 June 2006	109	-	34	46,197	4,779	51,119
At 30 June 2006						
- Cost	109	-	35	50,845	5,028	56,017
Accumulated depreciation	-	-	(1)	(4,648)	(249)	(4,898)
Net book amount	109	-	34	46,197	4,779	51,119
Year ended 30 June 2007						
Opening net book amount	109	-	34	46,197	4,779	51,119
Additions	-	-	-	4,180	7,217	11,397
Additions through acquisition of entities (note 13)	-	-	-	3,240	-	3,240
Impairment Loss	-	-	-	(8,072)	-	(8,072)
Disposals	-	-	-	(287)	-	(287)
Transfer of completed assets to other PP&E	(109)	-	-	109	-	-
Transfer of assets between regions	-	-	-	(1,805)	-	(1,805)
Depreciation expense	-	-	(4)	(3,948)	(408)	(4,360)
Carrying amount at 30 June 2007	-	-	30	39,614	11,588	51,232
At 30 June 2007						
- Cost	-	-	35	48,210	12,245	60,490
Accumulated depreciation	-	-	(5)	(8,596)	(657)	(9,258)
Net book amount	-	-	30	39,614	11,588	51,232

Non-current assets pledged as security

Refer to note 20 for information on non-current assets pledged as security by the parent and its controlled entities.

Impairment of assets

At 31 December 2006 the consolidated entity reassessed the carrying amount of its fixed assets for indicators of impairment. A physical stocktake was performed on all plant and equipment in both reporting regions. The results of the physical stocktake led to an external valuer being contracted to assess the carrying amount of some assets, the balance being assessed by management. The external valuation, along with managements assessment resulted in an impairment write-down in several individual assets totalling $8.22 million. $2.40m relates to capitalised maintenance in prior years due to a change in the application of accounting policy.

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

A summary of impairment allocation is presented below.	**2007** **$'000**	2006 $'000
Australia	**8,072**	-
New Zealand	**148**	-
	8,220	-

13. Non-current assets - Other financial assets

	Parent entity	
	2007 **$'000**	2006 $'000
Shares in Subsidiaries (Note 31)	**10,031**	14,881
Movement in shares in subsidiaries		
Net identified assets transferred	(4,336)	
Dividend distributions	708	
Goodwill transferred	(1,222)	
Investment in Fire Up entities	4,850	
Net identified assets transferred are represented as follows:		
Cash	287	
Property, plant and equipment (note 12)	3,240	
Trade and other receivables	1,315	
Trade and other payables	(506)	
Net identified assets transferred	4,336	

The wholly owned subsidiaries Fire Up Cranes and Rigging Pty Ltd and Fire Up Hire Pty Ltd are being liquidated. The net assets of these subsidiaries as at 1 July 2006 were transferred into the parent entity. The net assets were transferred at these carrying values as at 1 July 2006.

14. Non-current assets - Deferred tax assets

	Consolidated		**Parent entity**	
	2007 **$'000**	2006 $'000	**2007** **$'000**	2006 $'000
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss				
Doubtful debts	**83**	19	**75**	19
Employee benefits	**377**	365	**346**	329
Other provisions/accruals	**158**	82	**110**	31
Depreciation	**893**	-	**893**	-
Tax Losses	**3,694**	738	**3,694**	738
	5,205	1,204	**5,118**	1,117
Amounts recognised directly in equity				
IPO Costs	**440**	660	**440**	660
Deferred tax assets	**5,645**	1,864	**5,558**	1,777

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

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Movements:				
Opening balance at 1 July	**1,864**	1,044	**1,777**	1,044
Credited (charged) to the income statement (note 8)	**845**	130	**825**	43
Credited (charged) to equity	**-**	(220)	**-**	(220)
Movement in tax losses recognised	**2,956**	738	**2,956**	738
Under/(over) provision in prior year	**(20)**	172	**-**	172
Closing balance at 30 June	**5,645**	1,864	**5,558**	1,777

15. Non-current assets - Intangible assets

Consolidated	**Sign on Fee**	**Goodwill**	**Total**
	$'000	**$'000**	**$'000**
Period ended 30 June 2006			
Opening net book amount	891	5,094	5,985
Additions	-	11,215	11,215
Impairment charge	-	(56)	(56)
Exchange differences	-	(1,354)	(1,354)
Amortisation charge	(199)	-	(199)
Closing net book amount	692	14,899	15,591
At 30 June 2006			
Cost	1,000	14,955	15,955
Accumulated amortisation and impairment	(308)	(56)	(364)
Net book amount	692	14,899	15,591
Year ended 30 June 2007			
Opening net book amount	692	14,899	15,591
Additions/(Disposals)	-	(175)	(175)
Impairment charge	-	(243)	(243)
Exchange differences	-	874	874
Amortisation charge	(200)	-	(200)
Closing net book amount	492	15,355	15,847
At 30 June 2007			
Cost	1,000	15,654	16,654
Accumulated amortisation and impairment	(508)	(299)	(807)
Net book amount	492	15,355	15,847

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

(a) Impairment tests for goodwill

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

A summary of goodwill allocation is presented below.

	2007	2006
	$'000	$'000
Australia	**6,249**	6,492
New Zealand	**9,106**	8,407
	15,355	14,899

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management. The discount rate used approximates the consolidated entity's weighted average cost of capital.

(b) Impairment charge

The impairment charge of $243,000 (2006: $56,000) arose in the Australian CGU.

(c) Sign on fees

Sign on fees relate to the payments made on initial acquisition of businesses to retain key staff in the Group for minimum specified periods.

16. Non-current assets - Other receivables

	Parent entity	
	2007	2006
	$'000	$'000
Intercompany loan receivable	**16,857**	-
	16,857	-

17. Current liabilities - Trade and other payables

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Trade payables	**2,616**	2,812	**1,324**	2,598
Deferred consideration payable	**-**	8,383	**-**	-
Payable to subsidiary	**-**	-	**4,145**	-
Other payables	**3,102**	2,226	**1,710**	1,461
	5,718	13,421	**7,179**	4,059

18. Current liabilities - Borrowings

Secured				
Bank overdrafts	**5,816**	4,318	**5,486**	3,780
Bank bills	**9,457**	4,800	**8,050**	4,800
Lease liabilities (Note 29)	**1,282**	548	**1,282**	547
	16,555	9,666	**14,818**	9,127

(a) Interest rate risk exposure

Details of the Group's exposure to interest rate charges on interest bearing liabilities are set out in note 19.

(b) Fair value disclosures

Details of the fair value of borrowings are set out in note 20.

(c) Security

Details of the security relating to each of the secured liabilities and further information on the bank overdrafts and bank loans are set out in note 20.

19. Current liabilities - Provisions

Annual Leave	**996**	923	**937**	808
Long Service Leave	**2**	34	**2**	34
Sick Leave	**11**	-	**11**	-
	1,009	957	**950**	842

20. Non-current liabilities - Borrowings

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Secured				
Bank bills	**38,397**	33,483	**32,678**	14,732
Lease liabilities (note 29)	**9,305**	4,106	**9,305**	4,106
Total secured non-current borrowings	**47,702**	37,589	**41,983**	18,838
Total non-current borrowings	**47,702**	37,589	**41,983**	18,838

(a) Total secured liabilities

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

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Bank overdrafts and bank bills	**53,670**	42,602	**46,214**	23,312
Lease liabilities	**10,587**	4,653	**10,587**	4,653
Total secured liabilities	**64,257**	47,255	**56,801**	27,965

(b) Assets pledged as security

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

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

20. Non-current liabilities - Borrowings (continued)

(c) Financing arrangements

Unrestricted access was available at balance date to the following lines of credit:

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Credit standby arrangements				
Total facilities				
Bank overdrafts	**6,991**	8,467	**6,000**	6,000
Commercial bills	**48,134**	53,318	**40,871**	27,000
Equipment leasing	**12,000**	9,000	**12,000**	9,000
	67,125	70,785	**58,871**	42,000
Used at balance date				
Bank overdrafts	**5,816**	4,319	**5,486**	3,780
Commercial bills	**48,134**	38,716	**40,871**	19,800
Equipment leasing	**10,587**	4,653	**10,587**	4,653
	64,537	47,688	**56,944**	28,233
Unused at balance date				
Bank overdrafts	**1,175**	4,148	**514**	2,220
Commercial bills	**-**	14,602	**-**	7,200
Equipment leasing	**1,413**	4,347	**1,413**	4,347
	2,588	23,097	**1,927**	13,767

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

The current interest rates are 8.99% on the bill facility, 11.20% on the overdraft and 8.75% on the equipment leasing (2006 - 7.35%, 8.77% and 7.85% respectively).

20. Non-current liabilities - Borrowings (continued)

(d) Interest rate risk exposures

The following table sets out the Group's exposure to interest rate risk, including the contractual repricing dates and the effective weighted average interest rate by maturity periods.

Exposures rise predominately from liabilities bearing variable interest rates as the Group intends to hold fixed rate liabilities to maturity.

		Fixed Interest Rate						
2007	Floating interest rate	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Bank overdraft (note 18)	5,816	-	-	-	-	-	-	5,816
Bills payable	-	48,134	-	-	-	-	-	48,134
Lease Liabilities (note 29)	-	1,791	1,024	1,825	2,132	3,815	-	10,587
	5,816	49,925	1,024	1,825	2,132	3,815	-	64,537
Weighted average interest rate	11.24%	8.98%	8.20%	8.20%	8.20%	8.20%		

		Fixed Interest Rate						
2006	Floating interest rate	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Bank overdraft (note 18)	4,318	-	-	-	-	-	-	4,318
Bills payable	-	38,716	-	-	-	-	-	38,716
Lease Liabilities (note 29)	-	547	531	562	1,233	1,781	-	4,654
	4,318	39,263	531	562	1,233	1,781	-	47,688
Weighted average interest rate	8.77%	8.40%	7.85%	7.85%	7.85%	7.85%		

20. Non-current liabilities - Borrowings (continued)

(e) Fair value

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

	2007 Carrying amount $'000	**2007 Fair value $'000**	2006 Carrying amount $'000	2006 Fair value $'000
On balance sheet				
Non traded financial liabilities				
Bank Overdrafts	**5,816**	**5,816**	4,319	4,319
Bills payable	**48,134**	**48,134**	38,716	38,716
Lease Liabilities	**10,587**	**10,587**	4,653	4,653
	64,537	**64,537**	47,688	47,688

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 borrowings is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for liabilities with similar risk profiles.

21. Non-current liabilities - Deferred tax liabilities

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss				
Identifiable intangibles	**148**	208	**148**	208
Depreciation	**681**	1,428	**-**	1,032
	829	1,636	**148**	1,240
Deferred tax liabilities	**829**	1,636	**148**	1,240
Movements				
Opening balance at 1 July	**1,636**	637	**1,240**	637
Charged/(credited) to the income statement (note 8)	**(847)**	971	**(1,092)**	575
Under provision in prior year	**40**	28	**-**	28
Closing balance at 30 June	**829**	1,636	**148**	1,240

22. Non-current liabilities - Provisions

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Employee benefits - long service leave	**157**	-	**157**	-
	157	-	**157**	-

23. Contributed equity

	2007	2006	**2007**	2006
	Shares	Shares	**$'000**	$'000
(a) Share capital				
Ordinary shares				
Fully paid	**62,599,679**	62,599,679	**49,463**	49,463

23. Contributed equity (continued)

(b) Movements in ordinary share capital:

		Shares	$'000
Balance	**30 Jun 2006**	**62,599,679**	**49,463**
Balance	**30 Jun 2007**	**62,599,679**	**49,463**

(i) 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.

(ii) 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.

(iii) Directors and specified Executives

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

24. Reserves and retained profits

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
(a) Reserves				
Share-based payments reserve	**-**	-	**-**	-
Foreign currency translation reserve	**(365)**	(1,500)	**-**	-
	(365)	(1,500)	**-**	-
Movements:				
Share-based payments reserve				
Balance 1 July	**-**	19	**-**	19
Option Expense (Credit)	**-**	(14)	**-**	(14)
Transfer to Retained Earnings	**-**	(5)	**-**	(5)
Balance 30 June	**-**	-	**-**	-
Foreign currency translation reserve				
Balance 1 July	**(1,500)**	-	**-**	-
Currency translation differences arising during the year	**1,135**	(1,500)	**-**	-
Balance 30 June	**(365)**	(1,500)	**-**	-

(b) Retained profits

Movements in retained profits were as follows:

	Consolidated 2007	Consolidated 2006	Parent entity 2007	Parent entity 2006
Balance 1 July	**3,176**	4,295	**834**	4,295
Net profit/(loss) for the year	**(9,489)**	1,693	**(10,643)**	(649)
Dividends	**-**	(2,817)	**-**	(2,817)
Transfer from Share-based payments reserve	**-**	5	**-**	5
Balance 30 June	**(6,313)**	3,176	**(9,809)**	834

(c) Nature and purpose of reserves

(i) Share-based payments reserve
The share-based payments reserve is used to recognise the fair value of options issued but not exercised. There are no options on issue at 30 June 2007.

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

25. Dividends

	Parent entity	
	2007	2006
	$'000	$'000
(a) Ordinary shares		
No dividends paid to members during the financial year	-	2,817
(b) Franked dividends		
Franking credits available for subsequent financial years based on a tax rate of 30%	-	356

The above amounts represent the balance of the available franking credits as at the end of the financial year.

26. Key management personnel disclosures

(a) Directors

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

(i) Chairman - executive
Noel Henderson

(ii) Executive directors
Andrew Torrington, Managing Director (from 28 May 2007)
Rob Lockett, Managing Director (from 1 July 2006 - 25 May 2007)
Denis Tomasel, Director (from 1 July 2006 - 27 March 2007)

(iii) Non-executive directors
David Goldberger
David Wieland
Sam Fink

(b) Other 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*
D Smith	General Manager - New Zealand	Verticon New Zealand Limited
J Redman	General Manager - New South Wales	Verticon Group Limited
R Samimi	General Manager - Queensland	Verticon Group Limited
M Martin	General Manager - Victoria	Verticon Group Limited
C Hipwell	Chief Financial Officer & Company Secretary (from 28 May 2007)	Verticon Group Limited
A Torrington	Chief Financial Officer & Company Secretary (from 1 July 2006 to 27 May 2007)	Verticon Group Limited

(c) Key management personnel compensation

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

	Consolidated		**Parent**	
	2007	2006	**2007**	2006
	$	$	**$**	$
Short term employee benefits	**2,076,597**	1,634,894	**1,854,376**	1,522,080
Post-employment benefits	**90,991**	194,423	**90,991**	194,423
Share-based payments	**139,510**	-	**139,510**	-
	2,307,098	1,829,317	**2,084,877**	1,716,503

The company has taken advantage of the relief provided by *Corporations Regulations 2M.6.04* and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in sections A-C of the remuneration report on pages 5-9.

26. Key management personnel disclosures (continued)

(d) Share based compensation

Share holdings

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

2007 Name	Balance at the start of the year	Changes during the year	Balance at the end of the year
Directors of Verticon Group Limited			
Ordinary shares			
Noel Henderson	558,424	1,137,376	1,695,800
Andrew Torrington	100,000	-	100,000
David Goldberger	16,238,333	-	16,238,333
David Wieland	16,238,333	-	16,238,333
Sam Fink	96,000	282,000	378,000
Other Key Management Personnel of the Company			
Ordinary shares			
Daniel Smith	2,437,189	-	2,437,189
Jason Redman	-	-	-
Rodney Samimi	-	-	-
Mick Martin	-	-	-
Chris Hipwell	-	-	-

2006 Name	Balance at the start of the year	Changes during the year	Balance at the end of the year
Directors of Verticon Group Limited			
Ordinary shares			
Noel Henderson	-	558,424	558,424
David Goldberger	14,618,333	1,620,000	16,238,333
David Wieland	14,618,333	1,620,000	16,238,333
Sam Fink	8,000	88,000	96,000
Rob Lockett	-	-	-
Denis Tomasel	2,487,166	(63,000)	2,424,166
Michael Butler	120,000	(120,000)	-
Mark Kevin	34,166	(34,166)	-
Other Key Management Personnel of the Company			
Ordinary shares			
Andrew Torrington	-	100,000	100,000
Daniel Smith	-	2,437,189	2,437,189
Jason Redman	-	-	-
Rodney Samimi	-	-	-

26. Key management personnel disclosures (continued)

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

(i) Other key management personnel of the Group

Daniel Smith is a Director of Daniel Smith Industries Limited. Verticon provided crane hire services to Daniel Smith Industries Limited on normal commercial hire terms during the year. Daniel Smith Industries Limited provided labour and transport services to the Group during the year.

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

	2007 $'000	2006 $'000
Amounts recognised as revenue		
Crane Hire	**805**	641
Amounts recognised as expense		
Labour Hire	**-**	26
Transport	**2,453**	113
Property Services	**-**	3
	2,453	142

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

	2007 $'000	2006 $'000
Assets		
Current Receivables	**192**	302

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

	2007 $'000	2006 $'000
Liabilities		
Current Payables	**1,358**	8,610

27. Remuneration of auditors

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

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
(a) Assurance Services				
Audit Services				
PricewaterhouseCoopers Australian firm				
Audit and review of financial reports and other audit work under the Corporations Act 2001	**228,000**	188,500	**228,000**	120,000
Total remuneration for audit services	**228,000**	188,500	**228,000**	120,000
Other Assurance Services				
PricewaterhouseCoopers Australian firm				
Due diligence services	**22,797**	290,743	**-**	290,743
AIFRS accounting services	**-**	4,000	**-**	4,000
Other Services	**20,492**	37,560	**-**	-
Total remuneration for other assurance services	**43,289**	332,303	**-**	294,743
Total remuneration for assurance services	**271,289**	520,803	**228,000**	414,743
(b) Taxation Services				
PricewaterhouseCoopers Australian firm				
Tax Compliance Services	**85,285**	39,995	**82,152**	39,995
Related practices of PricewaterhouseCoopers Australian firm:				
Tax Compliance Services	**-**	6,519	**-**	-
Non-PricewaterhouseCoopers firms for other tax compliance services	**7,400**	-	**7,400**	-
Total remuneration for taxation services	**92,685**	46,514	**89,552**	39,995

28. Contingencies

Verticon Group Limited had no contingent assets or contingent liabilities outstanding at 30 June 2007.

29. Commitments

(a) Capital Commitments

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

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Property, plant and equipment payable:				
Within one year	**1,594**	617	**1,472**	159
Later than one year but not later than five years	-	-	-	-
Later than five years	-	-	-	-
	1,594	617	**1,472**	159

(b) Lease Commitments

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

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	**1,041**	466	**973**	383
Later than one year but not later than five years	**3,448**	451	**3,414**	339
Later than five years	**1,050**	-	**1,050**	-
	5,539	917	**5,437**	722

29. Commitments (continued)

(ii) Finance Leases

The group leases various plant and equipment with a carrying amount of $11,588,000 (2006 - $4,782,000) under finance leases expiring within 3 to 5 years. At expiry under the terms of the leases, the Group acquires the leased asset at the residual value at that date.

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Commitments in relation to finance leases are payable as follows:				
Within one year	**2,560**	888	**2,560**	888
Later than one year but not later than five years	**10,743**	5,477	**10,743**	5,477
Later than five years	**-**	-	**-**	-
Minimum lease payments	**13,303**	6,365	**13,303**	6,365
Future finance charges	**(2,716)**	(1,712)	**(2,716)**	(1,712)
Recognised as a liability	**10,587**	4,653	**10,587**	4,653
Representing lease liabilities:				
Current (note 18)	**1,282**	547	**1,282**	547
Non-current (note 20)	**9,305**	4,106	**9,305**	4,106
	10,587	4,653	**10,587**	4,653

The weighted average interest rate implicit in the leases is 8.18% (2006 - 7.85%).

30. Related Party Transactions

(a) Parent entity

The ultimate parent entity within the Group is Verticon Group Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 31.

(c) Directors and other key management personnel

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

30. Related Party Transactions (continued)

(d) Transactions with related parties

The following transactions occurred with subsidiaries.

	2007 $'000	2006 $'000
Sales of goods and services		
Crane and Labour Hire Income	-	314
Management fees	1,523	-
Purchases of goods		
Crane Hire expenses	-	114
Labour Hire	-	212
Tax consolidation legislation		
Current tax payable assumed from wholly-owned tax consolidated entities	-	178

During the year, the parent transferred assets at net written values of $1,805,000 to Verticon New Zealand Limited. No gains or losses were recognised in these transfers.

(e) Outstanding balances

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

	2007 $'000	2006 $'000
Current receivables/(payables)		
Subsidiaries	(4,145)	126

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

(f) Loans to/from related parties

	2007 $'000	2006 $'000
Loans to subsidiaries		
Beginning of the year	-	-
Loans advanced	21,071	-
Interest charged	1,419	-
Interest paid	(1,419)	-
End of year	21,071	-
Represented by:		
Intercompany loan receivable - current (note 10)	4,214	-
Intercompany loan receivable - non current (note 16)	16,857	-
	21,071	-

31. Subsidiaries

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

Name of entity	Country of incorporation	Class of Shares	Equity holding	
			2007	2006
			%	%
Fire Up Cranes & Rigging Pty Ltd *	Australia	Ordinary	**100**	100
Fire Up Hire Pty Ltd *	Australia	Ordinary	**100**	100
Queensland Construction Services Pty Ltd	Australia	Ordinary	**100**	100
Verticon Neon Street Pty Ltd	Australia	Ordinary	**100**	100
Verticon New Zealand Limited	New Zealand	Ordinary	**100**	100

* These entities are currently being liquidated and the assets have been transferred to the parent entity, as at 1 July 2006 (note 13).

32. Events occurring after the balance sheet date

Since the end of the reporting period, no reportable events have occurred.

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

	Consolidated		Parent Entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Profit/(loss) from ordinary activities after related income tax	**(9,489)**	1,693	**(10,643)**	(649)
Depreciation and amortisation	**6,386**	4,836	**4,560**	3,621
Non-cash finance costs - amortised	**-**	121	**-**	97
Accrued interest on deferred earn out liability	**-**	473	**-**	-
Net (gain)/loss on sale of non-current assets	**(1,405)**	(477)	**(383)**	(477)
Impairment of Goodwill	**243**	56	**243**	56
Impairment of Assets	**8,220**	-	**8,072**	-
Dividend Income	**-**	-	**(709)**	-
Non-cash employee benefits expense - share based payments	**-**	(14)	**-**	(14)
Net exchange differences	**(1,738)**	(150)	**-**	55
Change in net assets and liabilities, net of effects from acquisitions:				
(Increase)/decrease in assets:				
Trade debtors	**4,137**	(3,332)	**4,909**	(590)
Inventories	**281**	(60)	**281**	(60)
Deposits paid	**438**	(1)	**326**	(1)
Prepayments	**(397)**	(69)	**(490)**	(6)
Accrued Revenue	**(3,508)**	132	**(3,302)**	132
Other receivables	**(293)**	133	**(67)**	116
Deferred tax assets	**(3,781)**	(824)	**(3,781)**	(733)
Current tax assets	**132**	(132)	**132**	(132)
Increase/(decrease) in liabilities:				
Trade creditors	**(196)**	1,462	**(1,780)**	1,758
Employee provisions	**209**	262	**265**	201
Current tax liabilities	**23**	(902)	**-**	(809)
Deferred tax liabilities	**(807)**	1,026	**(1,093)**	603
Other operating liabilities	**876**	28	**6,202**	(794)
Net cash inflow from operating activities	**(669)**	4,261	**2,742**	2,374

34. Non-cash financing and investing activities

	Consolidated		Parent Entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Acquisition of plant and equipment by means of finance leases	**7,732**	3,986	**7,732**	3,986

35. Earnings per share

	Consolidated	
	2007	2006
	Cents	Cents
(a) Basic earnings per share		
Profit attributable to the ordinary equity holders of the company	**(15.2)**	2.7
(b) Dilluted earnings per share		
Profit attributable to the ordinary equity holders of the company	**(15.2)**	2.7
(c) Reconciliations of earnings used in calculating earnings per share		
Basic earnings per share		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**(9,489)**	1,693
Diluted earnings per share		
Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	**(9,489)**	1,693

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

	Consolidated	
	2007	2006
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**62,599,679**	62,599,679
Adjustments for calculation of diluted earnings per share	**-**	-
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	**62,599,679**	62,599,679

At 30 June 2007, no options were on issue.

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

Verticon Group Limited
Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes are in accordance with the *Corporations Act 2001;* including:

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

  (ii) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of its 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; and

(c) the audited remuneration disclosures set out on pages 5 to 9 of the directors' report comply with Accounting Standards AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001* .

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

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

Chairman

Managing Director

Signed at Melbourne,

Dated this 23rd day of August 2007.

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

Report on the financial report and the AASB 124 Remuneration disclosures contained in the directors' report

We have audited the accompanying financial report of Verticon Group Limited (the company), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Verticon Group Limited and the Verticon Group (the consolidated entity). 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.

We have also audited the remuneration disclosures contained in the directors' report. As permitted by the *Corporations Regulations 2001*, the company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "remuneration report" in pages 5 to 9 of the directors' report and not in the financial report.

Directors' responsibility for the financial report and the AASB 124 Remunerations disclosures contained in the directors' 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 control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

The directors of the company are also responsible for the remuneration disclosures contained in the directors' report.

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. Our responsibility is to also express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the directors' 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 and the remuneration disclosures contained in the directors' 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 and the remuneration disclosures contained in the directors' report.

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

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

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

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

Independence

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

PRICEWATERHOUSECOOPERS

Auditor's opinion on the financial report

In our opinion:

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

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and

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

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

Auditor's opinion on the AASB 124 Remuneration disclosures contained in the directors' report

In our opinion, the remuneration disclosures that are contained in pages 5 to 9 of the directors' report comply with Accounting Standard AASB 124.

PricewaterhouseCoopers

Chris Dodd
Partner

Melbourne
23 August 2007

Verticon Group Limited
Shareholder Information

The shareholder information set out below was applicable as at 31 July 2007.

A. Distribution of equity securities

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

	Class of equity security	
	Ordinary shares	**Options**
1 - 1,000	59	-
1,001 - 5,000	161	-
5,001 - 10,000	194	-
10,001 - 100,000	281	-
100,001 - and over	58	-
	753	-

There were 102 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	14,583,333	23.30
ANZ Nominees Limited <Cash Income A/C>	3,714,346	5.93
Zarvale Pty Ltd	2,555,501	4.08
Invia Custodian Pty Ltd <Black A/C>	2,500,000	3.99
National Nominees Limited <Equipsuper Account>	2,461,800	3.93
Daniel & Annette Smith	2,437,189	3.89
Emadale Pty Ltd	1,907,333	3.05
Deenford Pty Ltd	1,777,346	2.84
Noel Henderson & Lyndsay Henderson <Avington Super Fund A/C>	1,695,800	2.71
Taraville Pty Ltd <Taraville Unit A/C>	1,600,000	2.56
Deasil Trading Pty Ltd	1,500,000	2.40
Marco Pagliari & Marie-Therese Pagliari	1,350,000	2.16
Kellason Pty Ltd	1,260,000	2.01
Skydene Pty Ltd	1,260,000	2.01
Manar Nominees Pty Ltd	1,000,000	1.60
Abela Group Pty Ltd <The Abela Group A/C>	977,300	1.56
Stephen Gunn	450,833	0.72
Stanley Anderson	432,500	0.69
Elessar Holdings Pty Ltd	416,667	0.67
J&D Farrugia Nominees Pty Ltd <The Farrugia Family A/C>	416,666	0.67
	44,296,614	**70.77**

C. Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	**Percentage of issued shares**
Taraville Pty Ltd	16,283,333	25.94
Zarvale Pty Ltd	3,905,501	6.24
ANZ Nominees Limited	3,714,346	5.93

D. Voting rights

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

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

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

Verticon Group Limited
Corporate Directory

Directors	**Noel Henderson** Executive Chairman **Andrew Torrington** Managing Director **David Goldberger** Non Executive Director **David Wieland** Non Executive Director **Sam Fink** Non Executive Director
Secretary	**Chris Hipwell**
Notice of Annual General Meeting	The annual general meeting of Verticon Group Limited **will be held at** 65 Queens Road, Melbourne **time** 11:00am **date** Thursday, 25 October 2007
Principal Registered Office in Australia	Verticon Group Limited Ground Floor, 493 St. Kilda Road Melbourne Victoria 3004
Share Register	Link Market Services Limited Level 4, 333 Collins Street Melbourne Victoria 3000
Auditor	PricewaterhouseCoopers Freshwater Place 2 Southbank Boulevard Southbank Victoria 3006
Solicitor	Deacons RACV Tower 485 Bourke Street Melbourne Victoria 3000
Banker	Westpac Banking Corporation Level 7, 360 Collins Street Melbourne Victoria 3000
Stock Exchange Listing	Verticon Group Limited shares are listed on the Australian Stock Exchange.
Website Address	www.verticon.com.au