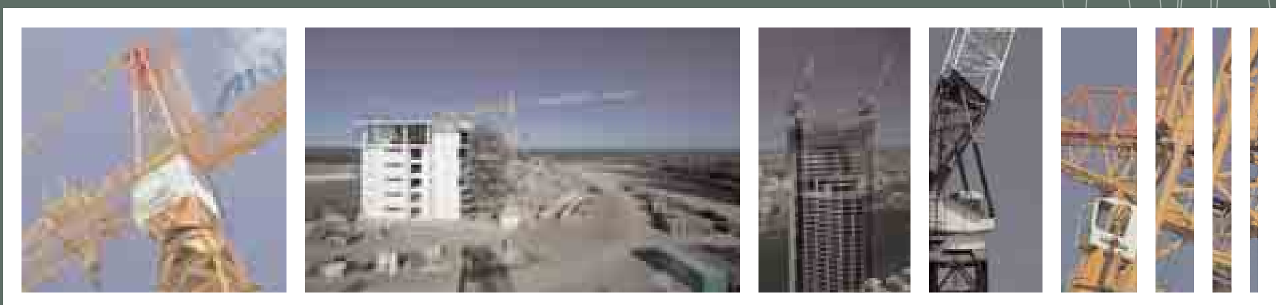
VERTICON



PROSPECTUS »

VERTICON GROUP LIMITED » ABN 53 111 398 040

PROSPECTUS FOR THE OFFER OF 41,666,667
SHARES AT $1.20 PER SHARE TO RAISE
$50 MILLION » 17 NOVEMBER 2004

UNDERWRITER: **BELL POTTER SECURITIES LIMITED**

IMPORTANT NOTICE

This Prospectus is dated 17 November 2004 and was lodged with ASIC on 17 November 2004. ASIC and ASX take no responsibility for the contents of this Prospectus.

Verticon Group will apply for the Shares offered by this Prospectus to be listed for quotation by ASX within seven days following the date of this Prospectus. No Shares will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

Before deciding to invest in Verticon Group, potential investors should read the entire Prospectus. In considering the prospects for Verticon Group, potential investors should consider the assumptions underlying the prospective financial information and the risk factors that could affect the performance of Verticon Group. Potential investors should carefully consider these factors in light of personal circumstances (including financial and taxation issues) and seek professional advice from an accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest.

Restrictions on distribution
This Prospectus does not constitute an offer or invitation in any jurisdiction other than Australia. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

Prospectus availability
This Prospectus is available in electronic form on Verticon Group web site at www.verticon.com.au and on the Underwriter's website at www.bellpotter.com.au. Any Australian resident who receives this Prospectus electronically will be sent a paper copy of the Prospectus free of charge on request during the Offer Period by telephoning Bell Potter on 1300 137 278.

Applications
The Application Form included in this Prospectus may only be distributed if it is included in, or accompanied by, a complete and unaltered copy of the Prospectus. The Application Form contains a declaration that the Applicant has personally received the complete and unaltered Prospectus prior to completing the Application Form. Applications under the Offer must be made by completing a paper copy of the Application Form included in the paper copy of this Prospectus, or an Application Form included in this Prospectus downloaded and printed in its entirety from one of the websites mentioned above. Verticon Group will not accept a completed Application Form if it has reason to believe that the Applicant has not received an Application Form together with a full copy of the Prospectus or if it has reason to believe that the Application Form has been altered or tampered with in any way.

Exposure Period
Under the Corporations Act Verticon Group is not permitted to process Applications in the period of seven days after the date of lodgement of this Prospectus with ASIC. ASIC may extend this period for up to a further seven days. The Exposure Period enables the Prospectus to be examined by market participants prior to the raising of funds. No preference will be conferred on Applications received during the Exposure Period.

Definitions and glossary
Certain terms and abbreviations used in this Prospectus have defined meanings, which are explained in the glossary of terms in Section 11. The financial amounts in this Prospectus are expressed in Australian dollars unless otherwise stated. References to time are to Eastern Standard Time unless stated otherwise.

CONTENTS

KEY OFFER STATISTICS

Offer Price per Share	$1.20
Shares to be offered for subscription in this Offer	41,666,667
Total Shares on issue expected on the Listing Date	62,333,333
Market capitalisation at the Offer Price on the Listing Date	$74,800,000
Options currently on issue	NIL

Between the completion of the Acquisition Agreements and 31 December 2004, the Company also expects to issue approximately 19,159 Shares pursuant to its Employee Share Plan. The offer and issue of these Shares is discussed further in Section 2.14.

FOR THE FORECAST FY05

Basic EPS (cents) (1)	15.24
Price Earnings Ratio at Offer Price (times) (1)	7.88
Enterprise Value/EBITDA (times)	4.59
Annualised Dividend Yield at Offer Price (2)	6.9%

Notes:
(1) Calculated on the Pro Forma Forecast Financial Information for FY05 using 62,352,492 Shares on issue assuming that the Company was incorporated on 30 June 2004, the Acquisitions were completed as at 30 June 2004, and the Employee Gift Offer Shares were issued as at 30 June 2004.
(2) Based on a dividend payout ratio of approximately 55% on the Pro Forma Forecast NPAT for the financial year ending 30 June 2005.

KEY DATES

Opening Date » 25 November 2004

Closing Date » 9 December 2004

Expected despatch of transaction confirmation statements » 16 December 2004

Expected Listing Date » 21 December 2004

These dates are indicative only. Verticon Group (in consultation with Bell Potter) has the right to vary these dates without notice and to close the Offer early or extend it.

VERTICON

Chairman's Letter

AN INVESTMENT IN VERTICON GROUP LIMITED IS AN INVESTMENT IN A GROWTH INDUSTRY

Dear investor

On behalf of the Board, I am pleased to offer you the opportunity to invest in Verticon Group Limited.

Verticon Group provides services, mostly the hire of tower cranes and material hoists, to major construction companies. Verticon Group's foundation businesses have provided tower cranes to major construction companies for over fifteen years and are highly regarded in the industry.

The construction industry is going through a period of growth and the Directors believe that excellent growth opportunities exist in Australia. An investment in Verticon Group provides investors with the opportunity to participate in the growth of the commercial construction industry through its link with tower crane demand.

Verticon Group intends to grow its business both organically and where appropriate through acquisition opportunities to create shareholder wealth. Verticon Group believes it can take advantage of growth opportunities on the eastern seaboard by expanding its range of services and moving outside its traditional geographic bases. The listing of Verticon Group will provide it with opportunities to obtain capital to support organic growth and allow it to take advantage of acquisition opportunities in the construction services sector.

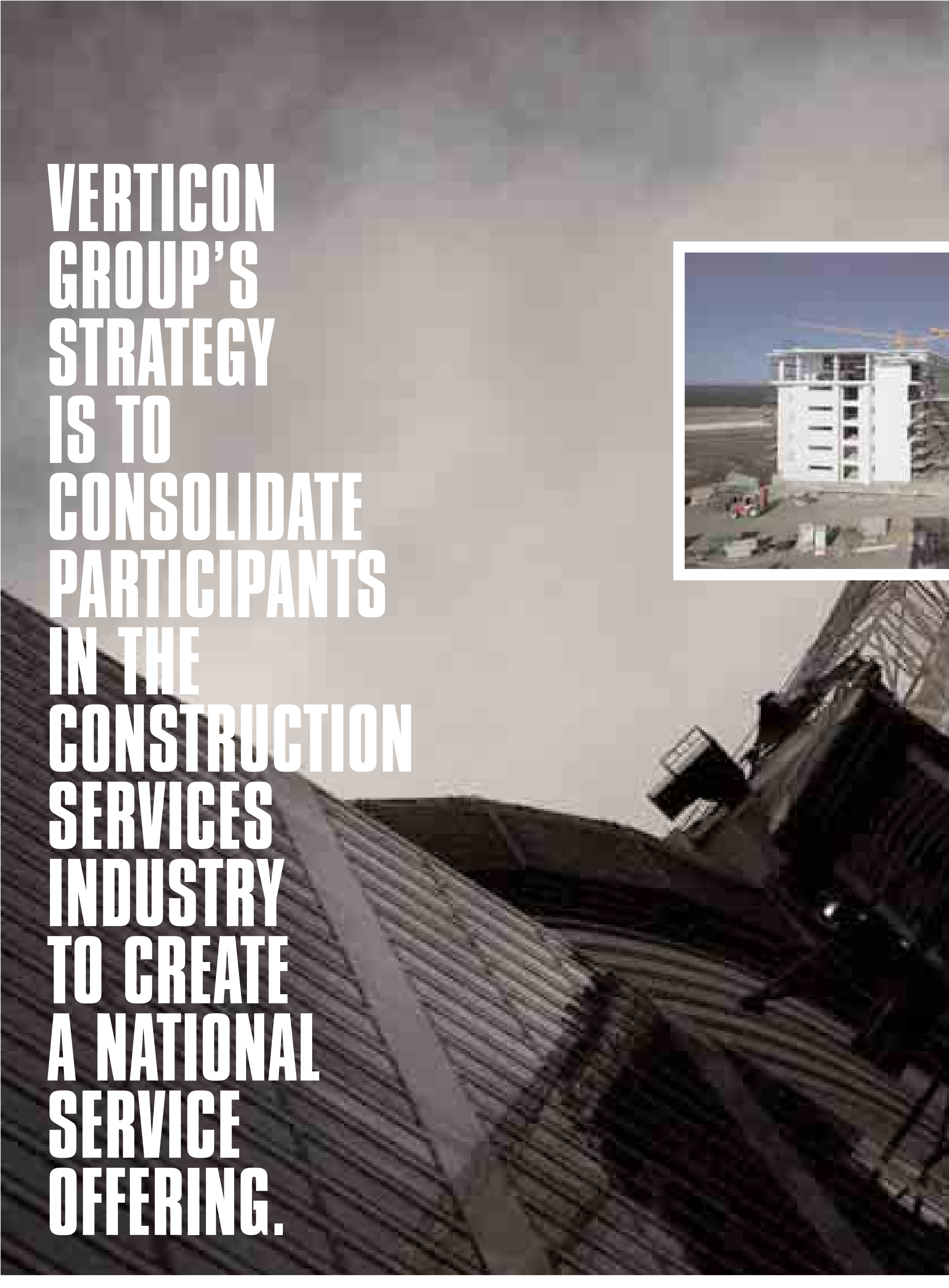
The Offer is expected to raise gross proceeds of $50 million, the majority of which will be used to acquire the foundation businesses.

This Prospectus contains detailed information about the Offer and Verticon Group business. Please read this information carefully before making your investment decision.

Together with my fellow Directors, I look forward to welcoming you as a Shareholder of Verticon Group and sharing in our future prosperity.

Yours faithfully

Michael Butler
Chairman



VERTICON GROUP'S STRATEGY IS TO CONSOLIDATE PARTICIPANTS IN THE CONSTRUCTION SERVICES INDUSTRY TO CREATE A NATIONAL SERVICE OFFERING.

BY INVESTING IN VERTICON GROUP YOU ARE INVESTING IN:

RELIABILITY

LONG ESTABLISHED AND PROFITABLE BUSINESSES THAT, COMBINED, CREATE THE LARGEST TOWER CRANE OPERATOR IN AUSTRALIA.

GROWTH

A SECTOR OF THE CONSTRUCTION SERVICES INDUSTRY WHICH IS PROJECTED TO PROVIDE GROWTH OPPORTUNITIES AT LEAST UNTIL 2006/2007.

POTENTIAL

A COMPANY THAT HAS AN UNGEARED BALANCE SHEET THAT PROVIDES SCOPE FOR FURTHER ACQUISITIONS SHOULD THEY BECOME AVAILABLE.

» SECTION ONE OFFER SUMMARY

OFFER SUMMARY

This Section provides an overview of the Offer. It is intended that this Section is to be read in conjunction with the remainder of the Prospectus.

1.1 INVESTMENT HIGHLIGHTS

Verticon Group's strategy is to consolidate participants in the construction services sector to create a national service offering.

By investing in Verticon Group you are investing in:

» long established and profitable businesses that, combined, create the largest tower crane operator in Australia;

» a sector of the construction services industry, which is projected to provide growth opportunities at least until 2006/2007; and

» a company that has an ungeared balance sheet that provides scope for further acquisitions should they become available.

1.2 THE OFFER

Verticon Group is offering 41,666,667 new Shares at $1.20 per Share.

All of the Shares offered under this Prospectus will rank equally with Shares on issue in Verticon Group, in accordance with the rights attaching to Shares summarised in Section 10.2.

1.3 KEY OFFER STATISTICS

The table below sets out a summary of the Verticon Group capital structure.

Offer Price per Share	$1.20
Shares to be offered for subscription in this Offer	41,666,667
Total Shares on Listing Date	62,333,333
Market capitalisation at the Offer Price on Listing Date	$74,800,000
Options currently on issue	Nil

Between the completion of the Acquisition Agreements and 31 December 2004, the Company also expects to issue:

» approximately 19,159 Shares pursuant to its Employee Share Plan. The offer and issue of these Shares is discussed further in Section 2.14; and

» approximately 400,000 options to its Managing Director pursuant to its Director/Executive Option Plan. The proposed issue of these options is discussed further in Section 10.5(3)(a).

1.4 THE FOLLOWING TABLE SETS OUT THE KEY OFFER STATISTICS BASED ON THE OFFER PRICE

For the Forecast FY05

Market Capitalisation on the Listing Date	$74,800,000
Basic EPS (cents) (1)	15.24
Price Earnings Ratio at Offer Price (times) (1)	7.88
Enterprise Value/EBITDA (times)	4.59
Dividend per Share fully franked (cents) (2)	4.0
Annualised Dividend fully franked (cents) (3)	8.3
Annualised Dividend Yield at Offer Price (3)	6.9%

Notes:

(1) Calculated on Pro Forma Forecast Financial Information for FY05 using 62,352,492 Shares on issue assuming that the Company was incorporated on 30 June 2004, the Acquisitions were completed as at 30 June 2004 and the Employee Gift Offer Shares were issued as at 30 June 2004.

(2) Based on a dividend payout ratio of approximately 55% on the Statutory Financial Forecast NPAT for FY05.

(3) Based on a dividend payout ratio of approximately 55% on the Pro Forma Financial Forecast NPAT for FY05.

OFFER SUMMARY

1.5 KEY FINANCIAL DATA

($ million)	Pro Forma Historical Financial Performance FY03[1]	FY04[2][7]	Pro Forma Financial Forecast FY05[3]	Statutory Financial Forecast FY05[4]
Contract Revenue	18.0	35.1	44.5	24.3
EBITDA	6.5	12.9	16.3	8.5
NPBT	[5]	[5]	13.3	6.7
NPAT	[5]	[5]	9.5	4.9
Revenue Growth (%)	N/A	64%[6]	27%	N/A
EBITDA Margin (%)	36.1%	36.8%	36.6%	35.0%
Basic EPS (cents)	[5]	[5]	15.2[2][8]	7.9[8]

Notes:

(1) Pro Forma Financial results for FY03, assuming the proposed Seca acquisition was effective at 1 July 2002. Historical financial results for Econ have not been included as this information is not available.

(2) Pro Forma Financial results for FY04, assuming both of the Acquisitions occurred on 1 July 2003. This includes the financial results of Econ for FY04.

(3) Pro Forma Financial Forecast for FY05 includes Verticon Group and the Acquisitions as if Verticon Group had been incorporated and both the Acquisitions had been completed on 1 July 2004.

(4) Statutory Financial Forecast for FY05 includes Verticon Group and the Acquisitions from the date these acquisitions are to be completed which is assumed to be 20 December 2004.

(5) As Verticon Group previously operated under a different corporate and capital structure and with a different cost base for property, plant and equipment, reporting historical depreciation, net interest expense and income tax expense is not considered to be meaningful or appropriate. Accordingly pro forma historical EPS is also not presented.

(6) Revenue growth for FY04 relative to FY03 has been calculated by comparing the Seca only revenue of $29.6 million for FY04 with the Seca only revenue of $18.0 million for FY03. Revenue growth for the Statutory Financial Forecast is not presented as this period of less than 12 months is not comparable with the prior 12 month period.

(7) Pro Forma Historical Financial Information for FY04 is presented after adding back $0.2 million non-recurring professional fees included in the special purpose financial statements.

(8) Denotes basic Earnings Per Share based on 62,352,492 Shares on issue at completion of the Offer. By 31 December 2004 there will be 400,000 options on issue. It is expected that the earliest date that any of these options can be exercised is 1 July 2006, which is beyond the Forecast Period. Accordingly, the dilutive effect of these options has not been included in the calculation of Earnings Per Share (see Section 10.5(3)(a) for details of these options).

1.6 DIVIDEND POLICY

Subject to Directors' forecasts being met, Verticon Group expects to declare a fully franked final dividend of 4.0 cents per Share for FY05.

The Directors are committed to paying regular fully franked dividends. In subsequent years and subject to Verticon Group achieving sufficient profits, the Company anticipates that it will distribute, in the form of an interim and final dividend, approximately 55% of after tax full year profits. These dividends will be franked to the fullest extent possible. The Directors may review this dividend policy from time to time and may change its terms. 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 and its financial and taxation position at the time.

1.7 BUSINESS AND INVESTMENT RISKS

An investment in Verticon Group has a number of key risks. A summary of the risk factors potential investors should be aware of are described in Section 8. Before deciding to apply for Shares, prospective Applicants should read the entire Prospectus and, in particular, should consider the assumptions underlying the prospective financial information, the financial forecasts and the risk factors that could affect the future financial performance of the Company.

1.8 ENQUIRIES

This Prospectus provides information for potential investors in Verticon Group and should be read in its entirety. If after reading this Prospectus, you have any questions about any aspect of an investment in Verticon Group, please contact your stockbroker, accountant or independent financial adviser.

» SECTION TWO DETAILS OF THE OFFER

DETAILS OF THE OFFER

2.1 DESCRIPTION OF THE OFFER

This Prospectus invites Applicants to apply for a total of 41,666,667 Shares in Verticon Group at a price of $1.20 per Share. The gross proceeds of the Offer ($50 million) will be paid to the Company on completion of the Offer. All of the Shares offered under this Prospectus will rank equally with all Shares currently on issue in Verticon Group, and have the rights summarised in Section 10.2.

2.2 KEY DATES

Date of Prospectus	17 November 2004
Opening Date	25 November 2004
Closing Date	9 December 2004
Expected despatch of transaction confirmation statements	16 December 2004
Expected completion of Acquisitions	20 December 2004
Expected Listing Date	21 December 2004

These dates are indicative only. Verticon Group and the Underwriter reserve the right to vary the dates connected with the Offer (including the Closing Date of the Offer) without notifying Applicants.

2.3 CAPITAL STRUCTURE

The table below sets out the ownership of Shares before the Offer and on the Listing Date.

Shares and Options held by	Before the Offer Number of Shares and Options	Expected on Listing Date Number of Shares and Options
Shares held by the Existing Shareholder	14,583,333	14,583,333
New Shares offered for subscription in this Offer		41,666,667
Shares issued in connection with the Acquisitions(1) and pursuant to the Company's Executive Share Plan(2)		6,083,333
Total Shares	**14,583,333**	**62,333,333**
Options on issue	NIL	NIL
Total Options	**NIL**	**NIL**

Notes:

(1) The issue of these Shares is described in Section 10.4(2) and Section 10.4(3).

(2) The issue of these Shares is described in Section 10.5(2).

Between the Listing Date and 31 December 2004, the Company also expects to issue:

» approximately 19,159 Shares pursuant to its Employee Share Plan. The offer and issue of these Shares is discussed further in Section 2.14; and

» approximately 400,000 options which may be exercised for new Shares to its Managing Director pursuant to its Director/Executive Option Plan. The proposed issue of these Options is discussed further in Section 10.5(3)(a).

The Existing Shareholder will hold approximately 23.4% of the issued Shares on the Listing Date. The effect of this will be that Existing Shareholder will have on the Listing Date approximately 23.4% of the voting power in the Company. The Existing Shareholder will subscribe for up to 2,100,000 additional Shares in the Offer. For the purposes of paragraph 12 of section 611 of the Corporations Act, the effect of the acquisition of all these additional Shares would be to increase voting power of the Existing Shareholder to, approximately 26.76% on the Listing Date.

2.4 USE OF PROCEEDS OF THE OFFER

Based on the Offer Price of $1.20, Verticon Group will have gross proceeds of $50 million. The intended use of the funds raised by the Offer is set out in the table below.

INTENDED USE	($ MILLION)
Cash consideration for the Acquisitions	44.4
Expenses of the Offer	4.5
Working capital	1.1
Gross proceeds raised under the Offer	50.0

Verticon Group has sufficient working capital to carry out its stated objectives.

DETAILS OF THE OFFER

2.5 OPENING AND CLOSING DATE OF THE OFFER

The Opening Date of the Offer will be 25 November 2004 at 9am Eastern Standard Time (EST) and the Closing Date of the Offer will be 9 December 2004 at 5pm EST.

The Directors (in consultation with the Underwriter) reserve the right to:

(1) close the Offer early without prior notice; or

(2) vary any of the important dates set out in this Prospectus, including extending the Offer Period.

2.6 UNDERWRITING AGREEMENT

The Underwriter, Bell Potter, has agreed to underwrite and manage the Offer on the terms of the Underwriting Agreement. Details of the material terms of the Underwriting Agreement are set in Section 10.4. Verticon Group will pay the Underwriter's fees and expenses from the proceeds of the Offer on the terms of the Underwriting Agreement. The Underwriter has reserved the right to procure that any person sub-underwrite any portion of the Offer. The Underwriter may terminate the Underwriting Agreement in the circumstances described in Section 10.4.

2.7 ASX LISTING

Verticon Group will apply for the Shares offered by this Prospectus and for other Shares on issue in the Company (subject to the ASX Listing Rules) to be listed for quotation by ASX within 7 days of the date of this Prospectus. Verticon Group's ASX code will be VGP.

The fact that ASX may admit Verticon Group to the Official List is not to be taken in any way as an indication of the merits of Verticon Group or of the Shares offered by this Prospectus. Quotation, if granted, of the Shares offered by this Prospectus will commence as soon as practicable after the issue of transaction confirmation statements to successful Applicants.

If ASX does not grant permission for the official quotation of the Shares within 3 months after the date of issue of this Prospectus, none of the Shares offered by this Prospectus will be allotted or issued unless ASIC grants Verticon Group an exemption permitting the allotment or issue.

If no allotment or issue is made, all money paid on Application for the Shares will be refunded without interest within the time required under the Corporations Act.

2.8 VOLUNTARY ESCROW ARRANGEMENTS

The Existing Shareholder has agreed with Bell Potter to enter into a voluntary escrow arrangement for a period until the financial results for FY06 are announced to the ASX.

The Company will also enter into voluntary escrow agreements with certain other persons.

A summary of the terms of all of these voluntary escrow agreements have been set out in Section 10.16.

2.9 HOW TO APPLY FOR SHARES

Applications can only be made by completing and lodging the Application Form attached to this Prospectus. The Application Form contains detailed instructions on how it is to be completed. An Application Form must be accompanied by a cheque for Australian dollars drawn on an Australian Branch of an Australian Bank, crossed "not negotiable" and made payable to "Verticon Group Limited – Float Account". Payment for the Shares must be made in full at the Offer Price of $1.20 for each Share subscribed. Applications which do not meet these requirements may be refused at the discretion of the Directors in consultation with the Underwriter.

Completed Application Forms and accompanying cheques should be lodged at the following address as soon as practicable after the Offer opens.

Underwriter
Bell Potter Securities Limited –
Verticon Group IPO
Level 28
80 Collins Street
Melbourne VIC 3000
Telephone: 1300 137 278

Completed Application Forms and Application Money must be received by Bell Potter before 5pm EST on the Closing Date of the Offer.

The minimum Application is for 2,000 Shares at $1.20 each ($2,400). Additional Shares can be applied for in multiples of 100 Shares.

2.10 ALLOTMENT

Verticon Group will not process any Application until the expiration of the Exposure Period. New Shares applied for under this Prospectus will be allocated as soon as practicable after the Closing Date. Application Money will be held in a subscription account until Shares are issued. Interest on Application Money will be for the benefit of Verticon Group and will be retained, irrespective of whether Shares are allotted or issued.

The Directors, in consultation with the Underwriter, reserve the right to accept any Application in full, accept any lesser number of Shares or decline any Application. Applicants must not assume that the Shares they apply for, or any number of Shares, will be issued to them in response to their Application. Before dealing in any Shares, Applicants must satisfy themselves as to their actual holding of Shares.

DETAILS OF THE OFFER

If any Application is rejected, in whole or in part, the relevant Application Money will be refunded without interest. Where the number of Shares issued is less than the number applied for by the Applicant, the surplus Application Money will be refunded by cheque within 14 days after the Closing Date. Where no Shares are issued, the Application Money will be refunded in full by cheque within 30 days of the Closing Date.

2.11 CHESS AND ISSUER SPONSORED REGISTER

Verticon Group will apply to participate in Clearing House Electronic Subregister System (CHESS), in accordance with the ASX Listing Rules and the ASTC Settlement Rules. Verticon Group will operate an issuer sponsored subregister through the Share Registry. The CHESS subregister and the issuer sponsored subregister will together make up Verticon Group's register of securities.

Verticon Group will not issue certificates to shareholders but as soon as practicable after allocation, investors will be issued transaction confirmation statements which set out the number of Shares allocated to them pursuant to this Prospectus. The transaction confirmation statements will also set out each investor's unique Holder Identification Number (HIN) (in the case of a holding on the CHESS subregister), or Securityholder Reference Number (SRN) (in the case of a holding on an issuer sponsored subregister).

Investors will be provided with periodic Holding Statements showing any changes in their holdings of securities. Investors may request a Holding Statement at any time (although an administration fee may be charged for these additional statements).

2.12 FOREIGN INVESTORS

No action has been taken to register or qualify the Shares or the Offer, or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia.

The Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. It is the responsibility of any Applicants who are citizens or residents of jurisdictions outside of Australia to ensure compliance with all laws of any jurisdiction which are relevant to their Applications.

2.13 ENQUIRIES IN RELATION TO THE OFFER

This Prospectus provides information for potential investors in Verticon Group and should be read in its entirety. If after reading this Prospectus, you have any questions about any aspect of an investment in Verticon Group, please contact your stockbroker, accountant or independent financial adviser.

2.14 EMPLOYEE GIFT OFFER

The Board has determined that each permanent employee of the Company except the Executive Directors at the time of completion of the Seca Agreement and the Econ Agreement (Qualifying Employee) will be offered 833 Shares under the Employee Share Plan (Employee Gift Shares) and this Prospectus. This is the Employee Gift Offer.

A Qualifying Employee who wishes to take up the Employee Gift Offer must complete and return his or her personalised application form for the Employee Gift Offer (Employee Gift Application Form) in accordance with the instructions on that application form, by no later than the date specified on the Employee Gift Application Form. Each Qualifying Employee will be given an Employee Gift Application Form together with this Prospectus and a copy of the Employee Share Plan on or shortly after the completion of the Seca Agreement and the Econ Agreement.

The Employee Gift Shares will be offered on the following terms:

(1) Qualifying Employees will not be required to make any payment for their 833 Employee Gift Shares (but the Employee Gift Shares will be treated as fully paid and will rank equally with all other Shares then on issue).

DETAILS OF THE OFFER

(2) The Company will issue the Employee Gift Offer Shares subscribed for in valid Employee Gift Application Forms after the Listing Date but by no later than 31 December 2004, and despatch transaction confirmation statements to the relevant employees by no later than 3 days after the date that the Shares are issued.

(3) The Employee Gift Shares are subject to a restriction period of 3 years from the date of issue, or earlier if the Qualifying Employee ceases employment with the Company. During the restriction period, the Employee Gift Shares will be subject to a holding lock and Qualifying Employees will be prohibited from disposing of or otherwise dealing or purporting to deal with their Employee Gift Shares.

(4) The Employee Gift Shares otherwise have the rights which apply to Shares issued by the Company under the Employee Share Plan, as summarised in Section 10.5(1).

(5) The Company will apply for the quotation of the Employee Gift Shares on ASX within 7 days of the date of this Prospectus.

The Company presently expects to have approximately 23 Qualifying Employees. If all such Qualifying Employees accepted all of their Employee Gift Offer Shares, 19,159 Employee Gift Shares would be issued. The Employee Gift Shares would be in addition to the 41,666,667 Shares otherwise available under the main Offer. References elsewhere in this Prospectus to the Shares available, or to be issued, under the main Offer or on issue after the main Offer, accordingly exclude any Employee Gift Shares which may be issued under the Employee Gift Offer (except where specifically noted otherwise).

Qualifying Employees should carefully consider this Prospectus in making a decision whether or not to apply for Employee Gift Shares, and if in doubt should seek advice from their own stockbroker, accountant, financial planner or other professional adviser.

» SECTION THREE

THE BUSINESS

THE BUSINESS

3.1 EXECUTIVE SUMMARY

Verticon Group was conceived to provide outsourced services to participants in the construction industry. References in this Prospectus to the Company and to its businesses are to the Company and its businesses as it will exist following completion of the Acquisitions.

The lifting services initially offered by the Company primarily comprise tower crane hire. Tower cranes are the tall cranes used in medium, high rise and large commercial building developments and are typically provided with relevant labour manning services (wet hire) or on a stand alone basis where the client provides the labour manning services (dry hire). Additionally, the Company may also supply hoists which are the elevator cages that transport men and materials up and down high rise constructions. Demand for such services is a function of high density residential and commercial building activity and is influenced by the overall level of commercial construction activity.

The Verticon Group has been formed by the merger of 2 long established and highly regarded tower crane hire companies. The Company has a dominant market position in tower crane hire in the fast growing Queensland market through Seca, a business that has been established for over 20 years. In Melbourne the Company is well positioned to expand its market presence through Econ, a business that has been established for over 15 years. In addition to the hire of tower cranes, the Company's current service offering includes ancillary lifting design and maintenance services.

The Verticon Group's strategy is to develop a complete service offering for project managers and builders. The Company intends to leverage its construction service offering into other complementary services that are essential to construction project work across high rise and large commercial and residential building sectors. These other services may potentially include scaffolding, plant hire, earth moving and the supply of mobile crane services.

The Company is well positioned with coverage right through the eastern seaboard from Melbourne to Cairns. It is from this base that the Company will look to both grow organically and where appropriate acquire complementary businesses that will help the Company achieve its strategy of forming a complete service offering. Listing on ASX will provide Verticon Group with opportunities to obtain expansion capital to support this growth.

Verticon Group has the following key characteristics:

- Is the largest tower crane operator in Australia with 75 cranes and 30 hoists
- Provides the hire and servicing of tower cranes to construction companies building high-rise and commercial facilities
- Has as its customers a range of both blue chip major construction clients and established developers and builders
- Is positioned to benefit from forecast demand in the non-residential construction and high density residential sector by the provision of tower crane and hoist services
- Is situated in the growth corridor on the east coast of Australia with a major presence in Queensland and Victoria and an emerging presence and major opportunity in the New South Wales market.

3.2 HISTORY

Verticon Group was formed to provide outsourced services to participants in the construction industry.

The Company's initial acquisitions, Seca and Econ, have a long history of providing tower crane lifting services. It is upon this strong base that Verticon Group proposes to expand its business.

3.3 VERTICON GROUP BUSINESS

Seca

Background

In the early 1980s, Denis Tomasel and Marco Pagliari established a tower crane hire business, based in Queensland that within 20 years has become one of the largest tower crane companies in Australia.

Seca commenced operations by buying the tower crane assets of an Italian construction company that was leaving Queensland and by importing Australia's first self erecting tower cranes. In 1989, with the business rapidly expanding, Denis and Marco recruited Steve Gunn as a third partner.

Seca focuses on the tower crane segment of the crane hire market (as distinct from mobile cranes). These are the tall cranes used in medium, high-rise and large commercial building developments.

The Seca crane fleet comprises a range of different types of tower cranes, each suitable for different applications and different jobs. The majority of Seca's fleet consists of electric cranes, which are generally faster and are more portable than traditional diesel cranes. Electric tower cranes are environmentally friendly (particularly with regard to noise and emissions), economical to operate, and flexible in their potential deployment because they are transportable in containers. Diesel cranes, while not as environmentally friendly as electric cranes, are generally more powerful and the Seca fleet also contains some diesel powered cranes, so it can supply the most suitable crane for the job.

THE BUSINESS

During the 1990s, Seca expanded its fleet of tower cranes significantly and became involved in a broad range of projects including offices, hospitals, institutional buildings and apartments. Seca has recently worked on the following major developments:

» Conrad's Treasury Casino
» Queensland Performing Arts Complex
» Royal Brisbane Hospital redevelopment
» Mater Hospital redevelopment
» Wesley Hospital redevelopment
» University of Queensland
» Queensland University of Technology, Gardens Point
» Queensland University of Technology, Kelvin Grove
» Griffith University, Mt Gravatt
» Griffith University, Gold Coast
» Bond University
» University of Southern Queensland

In the Sydney area, Seca has also participated in high profile projects such as University of New South Wales, Parklea Prison, Randwick RSL Club, Walsh Bay redevelopment and the NIDA Performing Arts Theatre.

Operations

Seca currently operates a fleet of 63 tower cranes and 28 hoists. Hoists are the elevator cages that transport men and materials up and down high-rise constructions.

Seca works mainly in the active South East corner of Queensland, covering Brisbane, the Sunshine Coast and Gold Coast. However, it has the capacity to supply cranes all over Australia and has fulfilled contracts in Cairns, Townsville, Mackay, Maryborough, Ballina, and Sydney.

Seca owns tower cranes and hoists and hires them to the building contractor for the duration of a building project. Seca can provide "dry hire" (equipment only), but typically offers "wet hire" which includes manpower and maintenance.

Seca provides the following services:

» Tower crane and hoist hire
» Rigging, erection and dismantling of cranes and hoists
» Fabrication and boilermaking services
» Mechanical repairs
» Painting
» Transport

Seca has close contacts with leading construction groups in the commercial construction industry, such as Abigroup, Multiplex, Barclay Mowlem, Baulderstone Hornibrook, Bovis Lend Lease and Watpac. These contacts allow Seca to become involved at the very early development stages of a project. This is important, because the placement of the crane is a strong determinant of the crane's efficiency over the life of the job. Choosing the right crane for the job is also crucial. Seca's experience and expertise in this field is vast, with management personnel who each have over 20 years' experience in the industry.

Most jobs are wet hire with Seca providing the manpower and maintenance for the crane. It also "climbs" the crane as the project progresses, increasing the crane's height as the building grows. To secure the crane to the building, Seca designs and builds ancillary equipment such as "collars" and "ties". Seca also provides ancillary equipment used in the construction industry such as block cages, loading bays, concrete skips and block fill bins.

Seca currently has a workforce of over 180, most of whom are engaged under contract on a per project basis.

Econ

Background

Econ was established in Melbourne in the mid 1980s and began as a demolition company as well as operating a small number of tower cranes and other associated building equipment such as hoists and concrete pumps. Econ has also been active trading tower cranes (primarily sourcing second hand units from overseas) and has previously held the Australian agency for a number of crane manufacturers. Econ has substantially developed its tower crane hire business in recent years.

Notable projects that Econ has been involved with include:

» Epworth Hospital, Richmond
» Southland Shopping Centre
» Watergate, Dockland Precinct
» Victoria Gardens, Richmond
» Balmain Shores, Sydney

Operations

Econ currently operates a fleet of 12 tower cranes and 2 hoists that are hired to leading construction groups such as Leighton Holdings, Abigroup, Probuild, Multiplex, L.U. Simon and others. Econ also has 4 mobile cranes that are available to clients on a casual hire basis. Econ is in the process of acquiring 2 further cranes – these acquisitions are further described in Section 10.4(6).

Econ also does work in Sydney and has had contracts in Perth in the recent past.

Econ can provide "dry hire" services (equipment only) or "wet hire" services where equipment and manpower are provided. Econ offers a full service operation including design advice, crane hire, erection, manning, maintenance, climbing and dismantling.

The company boasts a young fleet of cranes with a large proportion of electrical tower cranes.

Econ currently has a workforce of 26, most of whom are engaged under contract on a per project basis.

THE BUSINESS

3.4 BENEFITS OF THE MERGER

Careful planning and job acquisition are critical to achieving high tower crane utilisation rates, which are a key driver of profitability for a tower crane business. Both Seca and Econ have been successful in achieving high utilisation rates through a combination of industry relationships, reputation and utilisation planning expertise. Crane hire businesses conventionally hire cranes to one another where under-utilisation occurs.

Hiring can occur between capital cities, but there are limitations to flexibility when cranes are hired to third parties. The Seca/Econ merger will, in particular, enhance the flexibility of transport of electric powered cranes between Brisbane, Melbourne and Sydney.

No merger benefits have been factored into the forecast financial information.

3.5 KEY CUSTOMERS AND CONTRACTS

Verticon Group's long-term customers include Multiplex, Bovis Lend Lease, Abigroup and L.U. Simon. Verticon Group works with many regular customers and no one customer at any time accounts for more than 12% of revenue.

Typically, contracts are entered into for the life of the construction project, which on average approximates a 12 to 24 month period.

Approximately 80% of the Company's forecast revenue for FY05 is secured by firm commitments such as formal contracts, accepted quotes, and letters of intent. Many of these firm commitments extend beyond the forecast period.

For the forecast FY05, Verticon Group's revenue split by type of construction activity is expected to be as follows:

CONSTRUCTION ACTIVITY	REVENUE SPLIT FY05
RESIDENTIAL	70.8%
OFFICES	13.0%
INDUSTRIAL BUILDINGS	10.0%
HOTEL	5.4%
HOSPITALS	0.8%

On a geographical basis, for the forecast FY05, Verticon Group's revenue split by State is expected to be as follows:

STATE OF AUSTRALIA	REVENUE SPLIT FY05
QUEENSLAND	87.5%
VICTORIA	9.1%
NEW SOUTH WALES	3.4%

3.6 SENIOR MANAGEMENT

Mark Kevin – Managing Director

Mark was formerly Chief Executive of Liberty Oil Corporation Pty Ltd.

Mark (46) has had a successful career in the oil industry over the past 20 years. Much of this time was spent with Ampol and subsequently Caltex (after the 2 companies merged in 1995) in various roles such as Logistics Manager, Sales Manager, Operations Manager and State Manager.

In the late 1980s Mark spent 2 years in the UK working for the Belgium oil company, Petrofina, managing part of their extensive retail network and their operations in London.

Prior to joining Liberty Oil in April 1997, Mark was National Retail Manager for Caltex Australia and as such had responsibility for over 2,000 fuel outlets throughout Australia.

Mark has been a key driver behind the growth of Liberty Oil since he joined. Since divesting its service station network to Woolworths in 2001, Liberty Oil is now focused solely on the wholesaling of petroleum products throughout Australia. Liberty Oil has now reinvented itself as the largest independent wholesaler of fuel in Australia. Liberty Oil currently has approximately 5% of the national fuel market retail market.

Mark brings to the business strong strategic skills coupled with strong people and organisational skills. He has a Bachelor of Commerce degree from the University of Melbourne.

Denis Tomasel – Chief Executive Seca

Denis (53) is the founder of Seca and is responsible for its operations and sales and marketing functions. Denis has extensive experience securing new contracts and maintaining relationships with customers. He has contracted to work with Verticon Group for 5 years.

Denis obtained a Civil Engineering Degree and Diploma of Education from the University of Queensland and is a member of the Institution of Engineers Australia. Before entering the crane industry, Denis worked in numerous areas of civil engineering including in local government, pre-cast concrete, and on the mass transit subway systems in Hong Kong.

In the late 1970s, Denis worked for Italian-based construction company, Pontello, as Operations Manager. When Pontello decided to close its Queensland operations in 1981, Denis purchased the Pontello fleet of tower cranes and established Seca.

Denis is highly respected for his expertise and his achievements and Seca becomes involved from inception in almost all major Queensland construction projects.

THE BUSINESS

Charlie Abela – Chief Executive Econ

Charlie (48) founded the Econ business in the mid 1980s. He has been involved with cranes and associated building equipment for most of his working life. He has worked in Asia for various companies involved in the construction industry. He has contracted to work with Verticon Group for 5 years.

Charlie has built strong relationships with all the major building groups in Melbourne and is the driving force behind Econ. As a hands-on manager he is fully conversant with all aspects of the industry.

Charlie brings to Verticon Group substantial experience in the importation of both new and second-hand cranes. As well as previously working internationally in relation to the sale and distribution of cranes, he has been involved with a number of manufacturers in assisting them with the design of new cranes.

3.7 WORKFORCE

Verticon Group has a highly professional workforce consisting of operators, riggers and dogmen, mechanics, fitters and fabricators and various technical and support staff.

The entire workforce is committed to safety.

The bulk of Verticon Group's workforce is engaged under contract on a per project basis. Of the current workforce of approximately 206, about 23 are permanently employed. This means that the vast majority of staff costs are variable. However, the workforce is largely stable because of the continuity of the Company's project work.

3.8 INDUSTRIAL RELATIONS

The Company will operate under the following Awards:

» National Building and Construction Industry Award 2000

» Mobile Crane Hiring Award 1996/2002

» Building Construction Industry Award – State 2003

The Company will operate under the following agreements in Victoria:

» Victorian Building Industry Agreement 2002-2005

» Econ Construction Equipment Australia and CFMEU Building and Construction Industry Collective Bargaining Agreement 2002-2005 ("the Econ Agreement")

» A J Clarke Cranes And CFMEU Mobile Crane Hiring Industry Collective Bargaining Agreement 2003 – 2006 ("the A J Clarke Agreement")

The Company will operate under the following agreements in Queensland:

» Western Rigging Pty Ltd Certified Agreement

» Sumner Rigging Pty Ltd Certified Agreement

» City Rigging Pty Ltd Certified Agreement

The Company will operate under the following agreements in Western Australia:

» Econ D & G WA/CFMEU Collective Agreement 2000 ("the Econ D & G Agreement")

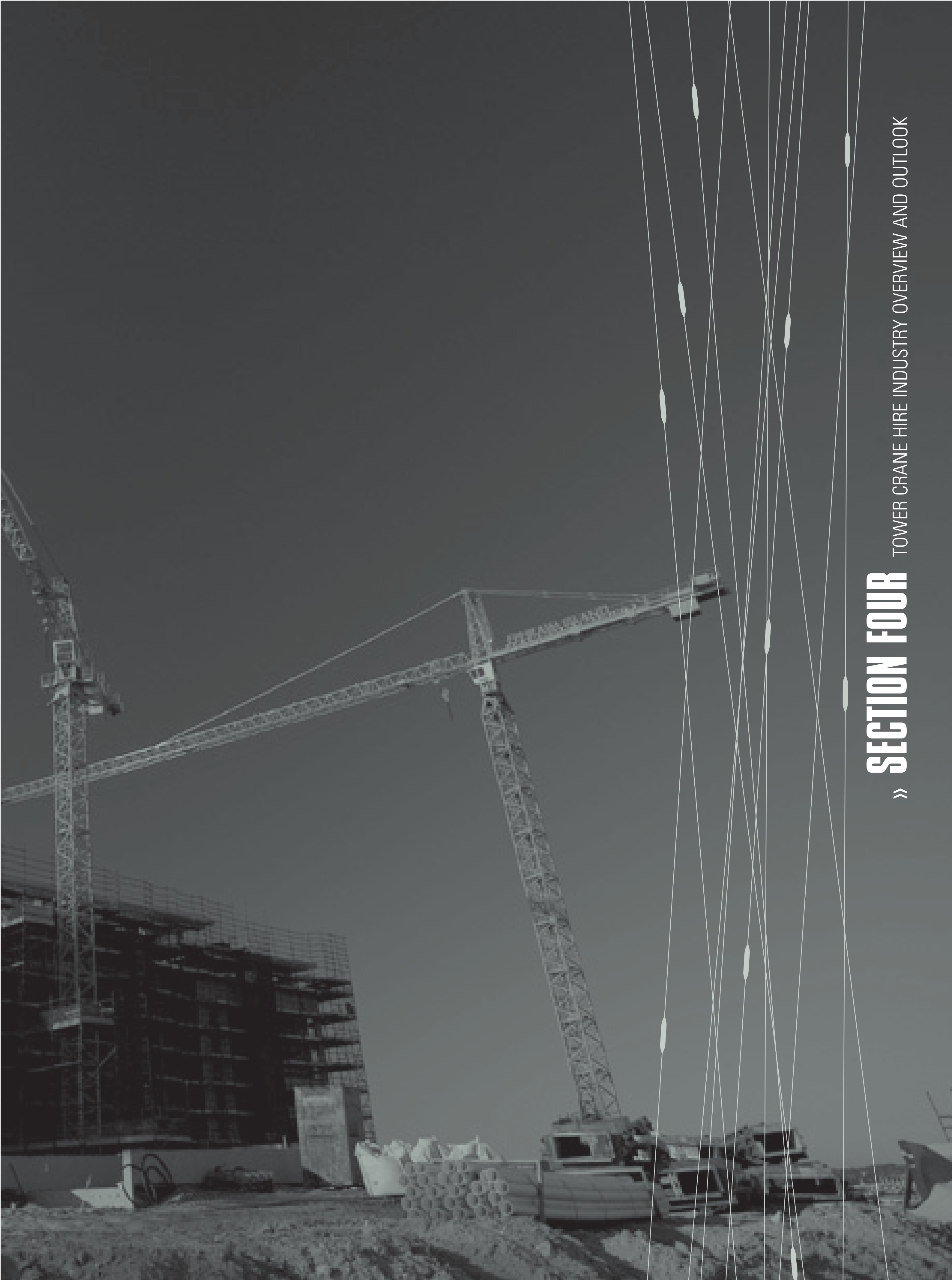
Recent developments in Industrial Relations have cast doubt on the validity of some agreements certified by the Australian Industrial Relations Commission. In light of this development, some of the Company's certified agreements may need to be renegotiated in the near future. Legislation to remove this doubt has been proposed by the Federal Government.

3.9 OCCUPATIONAL HEALTH AND SAFETY

All new employees undertake induction to ensure they understand their responsibilities. In Seca, work procedures are issued to new employees which detail exactly how various procedures are to be undertaken.

A Job Safety Analysis (Econ), and a Job Safety and Environmental Analysis (Seca) are completed for each job. This document, which is specific to each job, details the procedures for entering a worksite, erecting the crane, maintaining the crane etc. This document is completed for each crane job and is given to the building contractor, Workcover, employees and contractors, so that all parties are aware of the procedures to follow.

The aim of this document is to ensure that all involved directly in the erection and operation of the crane, and members of the workforce on site, are aware of exactly how the crane will be erected and also the responsibility of each and every person involved in these procedures so that there is no room for any ambiguity that may lead to any unsafe situations arising.



» SECTION FOUR TOWER CRANE HIRE INDUSTRY OVERVIEW AND OUTLOOK

TOWER CRANE HIRE INDUSTRY OVERVIEW AND OUTLOOK

4.1 INTRODUCTION

The activity of the tower crane hire sector has historically correlated to activity in the non residential building and high density residential building segments within the construction industry. An increase in construction activity has historically led to an increase in activity in the tower crane hire sector.

Therefore, the prospects of the tower crane hire sector approximates the prospects for the construction industry in Australia, and in particular the non residential and high density residential building segments.

An Independent Expert's Report on the construction industry, with an emphasis on the non residential building and high density residential building segments is set out in Section 5.

4.2 LIFTING SERVICES

The lifting services sector (a sector of the construction industry) incorporates a wide range of services including:

- Crane hire
- Contractual maintenance arrangements
- Crane integration for high-rise constructions
- Engineering services and maintenance
- Logistics and transport
- Equipment hire

Within the crane hire category of lifting services are the following activities:

- Mobile cranes – hydraulic cranes for short term lifting requirements.
- Project cranes – large scale, limited mobility construction cranes.
- Access equipment – platforms, scissor lifts, hoists.
- Tower cranes – permanent, on site, high-rise construction cranes.

Seca and Econ operate primarily within the tower crane and access equipment sectors.

Construction developments that Seca and Econ are typically involved in are:

- Office buildings
- Major retail developments
- Hotels
- Resorts
- Educational facilities
- Hospitals
- Sporting facilities
- High-rise residential developments

4.3 TOWER CRANE SEGMENT – COMPETITION

The number of tower cranes operating in the Australian market is approximately 250.

In Queensland, Seca has a dominant market position with approximately 60% of the tower crane hire market. The next largest operator in Queensland is LCR Lindores Group Pty Ltd which is approximately one half the size of Seca in Queensland.

The New South Wales market is a fragmented market characterised by a number of players including LCR Lindores Group Pty Ltd, Morrow Equipment Co, Radius Cranes and Rigging Pty Ltd and Marr Contracting Pty Ltd with no one dominant participant. Econ currently has two cranes operating in New South Wales.

In Victoria, the current market leader is Boom Logistics, with Econ the second largest participant.

In addition, a number of tower cranes are owned and operated by construction companies and these are usually erected and maintained (and sometimes manned) by the dedicated crane companies as not all the construction companies possess the expertise to erect, climb, dismantle and service their equipment.

Verticon Group will be the dominant tower crane operator in the Australian market with approximately 30% of the tower cranes operating in Australia.

4.4 TOWER CRANE TECHNOLOGY

Traditionally, tower cranes in Australia have been powered by diesel engines as part of the winching unit on the machinery deck of the crane.

Over the last 10 years there has been a move in Australia to electric cranes and both Seca and Econ have been at the forefront of this move. Econ was the first company to use an electric luffing crane in Australia and worked closely with Australian Standards and the relevant unions to ensure a smooth transition to this new technology. The majority of the Verticon Group tower crane fleet is electric powered.

The advantages of electric cranes over diesel cranes are:

- No emissions
- Cleaner
- Less noise of operation
- Environmentally friendly
- More reliable

Electric cranes are transport-friendly, and can be packed in containers and transported to meet demand in different geographic locations.

TOWER CRANE HIRE INDUSTRY OVERVIEW AND OUTLOOK

4.5 TOWER CRANE SECTOR OUTLOOK

The level of tower crane demand is closely correlated to construction activity. Verticon Group expects that, based on historical correlations between activity in the tower crane sector and the construction industry generally, the forecast construction activity should translate into organic growth for the tower crane business.

The Australian construction industry has undergone significant change in the last decade. Associated with the ongoing pressure to increase efficiency has been the trend by major corporate builders to outsource construction services. While considered non-core, these construction services are nevertheless essential to construction. The rationale behind the outsourcing trend is that specialist service providers can more efficiently provide the same functions across a wide range of building customers.

The services being outsourced range from tower cranes, engineering services, scaffolding, earthmoving, mobile cranes and plant and equipment hire. Verticon Group expects the trend of outsourcing construction services to continue.

Queensland is forecast to account for 87.5% of the Company's revenue in FY05. Private investment in Queensland is expected to grow rapidly in the current year and FY06, with all private investment sub-sectors growing strongly, driven by a synchronised upturn in commercial and industrial non-dwelling building, the next leg of the rolling resources boom and persistent dwelling stock deficiency. Total non residential construction commencements are expected to peak in FY07, nevertheless the downturn expected in the period 2010 to 2014 should see average commercial and industrial building in that period still continue to be above average levels experienced in the 5 years 2000 to 2004.

In Victoria, which currently is forecast to account for approximately 9.1% of the Company's revenue in FY05, economic growth is expected to fall below the national average for the next 5 years with growth constrained by relatively weaker construction activity. From a high base, non-dwelling building activity eased by 6% in FY04. Non residential commencements are forecast to fall by a further 7% in FY05 followed by an anticipated recovery in FY06 with an increase of 6% driven by the commercial and industrial sectors. The peak of this cycle is expected to occur in FY07 with activity dropping to 1999 levels by 2009.

The New South Wales market represents significant opportunity. While FY04 represented a year of growth contraction for non residential building, commencements are forecast to rebound by 56% over the next 3 years to FY07, driven by a construction boom in commercial building, particularly office, hotel and factory building activity. New South Wales activity is expected to ease back by 40% over the two years to FY09 although average annual commencements over the 5 year period 2005 to 2009 are forecast to be around 24% higher than the preceding 5 year period.

Overall, the Company believes, given the expected level of construction activity, this can translate to a sound basis for organic growth in the tower crane business. Verticon Group believes that based on its historical track record it is positioned well to capture the opportunities created by the construction industry activity. At the same time the Company has a diverse fleet of cranes that are, in the majority, transportable and suitable for all types of commercial building lifting services and as such the Company is well placed to weather any downturn in activity in various geographic locations. While various sub-sectors of the construction industry and geographic regions are expected to peak and decline toward the end of the decade, the Company is well positioned with versatile equipment and highly experienced management to minimise the impact of a downturn in any particular sub-sector.

TOWER CRANE HIRE INDUSTRY OVERVIEW AND OUTLOOK

4.6 GROWTH

Verticon Group aims to be a leading provider of equipment and services to the construction industry in Australia.

After integrating the Acquisitions, the focus of Verticon Group will be on growth of the existing businesses, both organically and where appropriate by acquisition. Both Seca and Econ are forecasting growth.

Historically, Econ has not been able to take full advantage of growth opportunities due to an inability to obtain suitable finance for expansion. The public listing of Verticon Group will potentially give the Company access to capital markets that were not available to the private entities of Seca and Econ.

Expansion into New South Wales is also planned. Both Seca and Econ have completed work in New South Wales in the recent past and have strong relationships with construction companies in this State. The Company will work to expand these relationships into solid long term sources of revenue.

The expansion into New South Wales will also broaden the Company's operating base by exposing it to the New South Wales market and therefore lessening the reliance of the Company on the activity in the Queensland and Victorian markets.

Where appropriate, opportunities to grow by acquisition will also be investigated.

Some of these acquisitions may be in complementary businesses such as:

» Scaffolding
» Earthmoving
» Mobile cranes
» Plant and equipment hire

Diversification into these areas should help broaden the base of Verticon Group's business by potentially gaining exposure to areas such as low rise residential and civil construction works.

» **SECTION FIVE** INDEPENDENT EXPERT'S REPORT

BIS Shrapnel

Global business research and forecasting

Forecasts of Building Activity in Australia and states

prepared for

Verticon Group Ltd

November 2004

Sydney office:
Level 8, 181 Miller Street
North Sydney NSW 2060, Australia
Tel. (02) 9959 5924 Fax (02) 9959 5795

Melbourne office:
Level 5, Rialto North Tower, 525 Collins Street
Melbourne VIC 3000, Australia
Tel. (03) 9614 0011 Fax (03) 9614 0033

Note: Although great care has been taken to ensure accuracy and completeness in this project, BIS Shrapnel Pty Limited has not independently verified, and does not accept responsibility for, the completeness and accuracy of the factual information on which its opinions and assumptions are based, which information has been derived from public authorities or government bodies.

Job No. 4511/JA

BIS Shrapnel contact:: Robert Mellor and Jason Anderson
BIS Shrapnel Pty Limited
Level 8, 181 Miller St
North Sydney NSW 2060
Australia
Tel. +61 (0)2 9959 5924
Fax +61 (0)2 9959 5795

1. Introduction and Methodology

Verticon Group Limited requested BIS Shrapnel to provide forecasts for inclusion in the Verticon Group Limited Initial Public Offering Prospectus.

The purpose of this report is to provide forecasts of building activity of direct relevance to demand for tower crane services in Australia. The scope of the report is limited to the non-residential building and high density residential building sectors, which are the most relevant to the tower crane services market. Forecasts are provided for Australia and individual states, for the years 2004/05 to 2008/09.

Forecasts are provided for the annual value of non-residential building and high density residential building commencements, in 2002/03 constant price terms.

In this report, the value of **total building** refers to the sum of activity in the nonresidential building sector and the high density residential building sector.

BIS Shrapnel uses a well established methodology for the forecasting of residential and non-residential building activity in Australia. The basic methodology for the forecasts in this report is detailed in *Building in Australia 2004-2019*, which is BIS Shrapnel's annual forecasting report for the building sector.

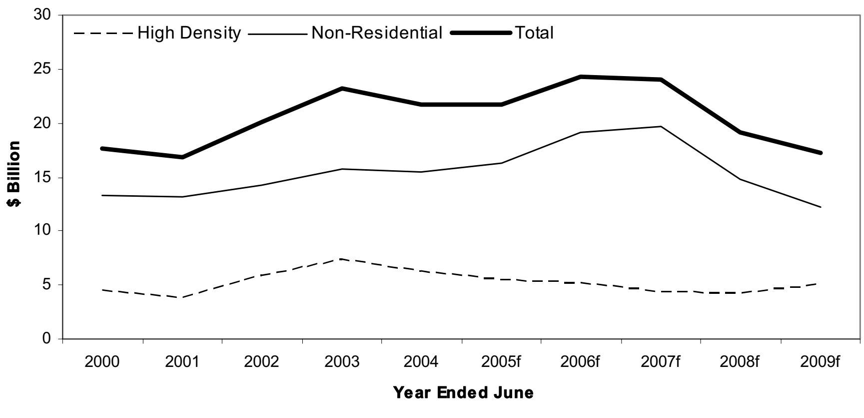
1.1. AUSTRALIA

Total building

The total value (in 2002/03 chain volume measures) of total building commenced, in this report defined as the sum of the value of non-residential and high density residential building commenced, in 2003/04 declined by 6% to $21.8 billion. This follows two years of robust growth in 2001/02 (+19%) and 2002/03 (+15%) when activity reached a peak of $23.2 billion. Over the five year period 2000–2004, the real value of total building commencements averaged $19.9 billion annually.

Over the forecast horizon to 2008/09, total building activity is expected to remain flat in 2004/05, preceding an 11% increase in 2005/06 to $24.3 billion, which is expected to be the peak of this cycle. From this robust level of construction, the value of total building commencements is expected to stall in 2006/07 (–1%) before entering a downturn in 2007/08 (–21%) and 2008/09 (–10%), when activity is forecast to fall to the lowest level since 2000/01. We anticipate the average annual value of total building commencements over the five years to 2008/09 to be around $21.3 billion, this is 7% stronger than the previous five year period.

Value of Commencements - Australia
2002/03 Chain Volume Measures



Source: ABS data, BIS Shrapnel forecasts

Table 1: Value of building commenced, sum of non-residential building and high density residential building in 2002/03 chain volume measures by state ($ m)

Year Ended June	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	Australia
2000	6,778.6	4,781.6	2,996.2	721.4	1,696.5	195.2	194.5	345.4	17,709.3
2001	5,604.1	5,128.4	3,232.9	836.5	1,388.2	166.2	243.1	246.7	16,846.1
2002	7,623.3	5,791.4	3,978.4	876.6	1,107.2	185.1	166.5	384.9	20,113.4
2003	8,424.4	6,706.5	4,390.7	1,108.0	1,672.3	204.2	178.5	487.5	23,172.1
2004	7,349.4	5,946.8	4,569.8	1,206.6	1,700.5	222.7	229.9	526.1	21,751.7
Forecasts									
2005	7,514.0	5,345.0	4,981.0	1,036.0	1,777.0	267.0	285.0	555.0	21,760.0
2006	8,843.0	5,597.0	5,471.0	1,153.0	1,987.0	313.0	341.0	588.0	24,293.0
2007	8,900.0	5,696.0	5,396.0	1,021.0	1,886.0	280.0	302.0	577.0	24,058.0
2008	6,909.0	4,403.0	4,686.0	798.0	1,440.0	205.0	239.0	401.0	19,081.0
2009	6,351.0	3,815.0	4,323.0	702.0	1,322.0	204.0	207.0	330.0	17,254.0
Annual Percentage Change									
2001	-17.3	7.3	7.9	15.9	-18.2	-14.9	25.0	-28.6	-4.9
2002	36.0	12.9	23.1	4.8	-20.2	11.4	-31.5	56.0	19.4
2003	10.5	15.8	10.4	26.4	51.0	10.3	7.2	26.7	15.2
2004	-12.8	-11.3	4.1	8.9	1.7	9.0	28.8	7.9	-6.1
Forecasts									
2005	2.2	-10.1	9.0	-14.1	4.5	19.9	24.0	5.5	0.0
2006	17.7	4.7	9.8	11.3	11.8	17.2	19.6	5.9	11.6
2007	0.6	1.8	-1.4	-11.4	-5.1	-10.5	-11.4	-1.9	-1.0
2008	-22.4	-22.7	-13.2	-21.8	-23.6	-26.8	-20.9	-30.5	-20.7
2009	-8.1	-13.4	-7.7	-12.0	-8.2	-0.5	-13.4	-17.7	-9.6
Five-Year Averages									
2000-2004	7,156.0	5,670.9	3,833.6	949.8	1,512.9	194.7	202.5	398.1	19,918.5
2005-2009	7,703.4	4,971.2	4,971.4	942.0	1,682.4	253.8	274.8	490.2	21,289.2

Source: ABS data, BIS Shrapnel forecasts

Non-residential building

Non-dwelling building commencements are forecast to strengthen by 5% to $16.3 billion (in 2002/03 chain volumes) in 2004/05, driven by a 12% increase in commercial and industrial building. 2004/05 will be a continuation of a strong upturn in non-dwelling building commencements which began in 2001/02.

Activity is anticipated to surge by 17% in 2005/06, as a booming economy drives sharp increases in the hotel, offices and factory sectors. Non-residential commencements are forecast to increase by a further 3% in 2006/07, peaking at $19.7 billion, the same level as the 1988/89 record. Of the major states, New South Wales (+56%) and Queensland (+28%) are forecast to experience the fastest growth over the three years to 2006/07. Overall, it is anticipated that over the six years to 2006/07 activity will rise 50% from the 2000/01 trough. A surging economy and over exuberance on the part of property developers will drive the boom, which is likely to be reminiscent of the conditions of the late 1980s.

Non-dwelling building commencements are forecast to enter a downturn in 2007/08 (–25%) as the economy moves into a significant slowdown in response to high interest rates, and developers ease back as signs appear of an impending oversupply in offices and hotels. Hotels (–41%) and offices (–39%) are forecast to lead the downturn, with declines in all commercial and industrial sectors.

Commencements are forecast to decrease by a further 17% in 2008/09, with all of the commercial and industrial sectors suffering further falls.

Annual non-dwelling building commencements, averaging $16.4 billion over the five year period 2005–2009, will be 14% above the level for the previous five-year period to 2003/04.

Table 2: Value of building commenced, non-residential building in 2002/03 chain volume measures by state ($ m)

Year Ended June	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	Australia
2000	4,857.0	3,607.2	2,232.1	629.7	1,327.7	171.1	142.0	303.8	13,270.6
2001	4,070.8	3,989.9	2,511.5	776.6	1,222.8	164.2	202.1	172.2	13,110.1
2002	4,775.0	4,373.0	2,781.4	778.3	932.9	177.7	145.5	272.4	14,236.2
2003	5,448.6	4,735.6	2,560.1	933.3	1,416.5	193.0	136.9	374.5	15,798.5
2004	4,750.2	4,730.3	2,880.6	1,130.6	1,371.2	198.8	159.2	300.1	15,521.0
Forecasts									
2005	5,394.0	4,405.0	3,171.0	976.0	1,487.0	227.0	215.0	435.0	16,310.0
2006	7,043.0	4,647.0	3,531.0	1,113.0	1,727.0	283.0	261.0	548.0	19,153.0
2007	7,400.0	4,886.0	3,686.0	991.0	1,646.0	260.0	242.0	547.0	19,658.0
2008	5,439.0	3,633.0	3,016.0	768.0	1,230.0	185.0	179.0	371.0	14,821.0
2009	4,451.0	2,975.0	2,503.0	662.0	1,052.0	184.0	147.0	290.0	12,264.0
Annual Percentage Change									
2001	-16.2	10.6	12.5	23.3	-7.9	-4.0	42.3	-43.3	-1.2
2002	17.3	9.6	10.7	0.2	-23.7	8.2	-28.0	58.2	8.6
2003	14.1	8.3	-8.0	19.9	51.8	8.6	-5.9	37.5	11.0
2004	-12.8	-0.1	12.5	21.1	-3.2	3.0	16.3	-19.9	-1.8
Forecasts									
2005	13.6	-6.9	10.1	-13.7	8.4	14.2	35.0	45.0	5.1
2006	30.6	5.5	11.4	14.0	16.1	24.7	21.4	26.0	17.4
2007	5.1	5.1	4.4	-11.0	-4.7	-8.1	-7.3	-0.2	2.6
2008	-26.5	-25.6	-18.2	-22.5	-25.3	-28.8	-26.0	-32.2	-24.6
2009	-18.2	-18.1	-17.0	-13.8	-14.5	-0.5	-17.9	-21.8	-17.3
Five-Year Averages									
2000-2004	4,780.3	4,287.2	2,593.1	849.7	1,254.2	181.0	157.1	284.6	14,387.3
2005-2009	5,945.4	4,109.2	3,181.4	902.0	1,428.4	227.8	208.8	438.2	16,441.2

Source: ABS data, BIS Shrapnel forecasts

High density dwelling commencements

High density dwelling commencements declined in 2003/04 (–16%) to $6.2 billion. Investor demand cooled in 2003/04, as average residential property price growth slowed and evidence emerged of oversupply of inner city apartments in Sydney and Melbourne, with price declines evident in some market segments.

Total dwelling commencements in 2004/05 are forecast to decline by a modest 5% to 163,700. Two countervailing forces are expected to generate a close to steady outcome in 2004/05. On the one hand, dwelling construction in Queensland is expected to show growth for a fourth consecutive year. Our estimates indicate that excess demand for dwellings currently exists in Queensland, and we expect that owner-occupier demand will remain strong in 2004/05, due to high net interstate migration. Enduring growth in residential property prices and tight rental vacancy rates should bolster investor financed construction in Queensland.

On the other hand, we forecast that private other dwelling commencements in New South Wales (–10%) and Victoria (–17%) will show a further year of double-digit declines in 2004/05. An excess stock of low grade, inner city apartments is expected to be a key force behind the decline in both states.

The balance between these forces reflects the market system at work. The large increase in commencements of Sydney and Melbourne apartments in 2002/03 was largely due to investors seeking to capitalise on increases in residential property prices. One consequence of rising residential property prices, however, is the increased movement of people from New South Wales and Victoria to Queensland, due to the more affordable housing that is available in that state. Higher net interstate migration is transferring housing demand into Queensland from the rest of Australia, pushing up construction in that state.

As a result, the value of commencements of high density dwellings are forecast to fall by 13% to $5.45 billion in 2004/05. The downturn will be concentrated in New South Wales (–18%) and Victoria (–23%). Strong underlying demand and reasonable growth in residential property prices are expected to sustain a further year of increase in private other dwelling commencements in Queensland (+6%).

The downturn in national high density dwelling commencements is forecast to continue in 2005/06 and 2006/07, in response to rising housing interest rates. We expect that rising interest rates will dampen national high density dwelling construction from 2005/06 to 2007/08. Investor financed construction will be particularly affected, and high density commencements are forecast to continue to decline in 2005/06 (–6%), 2006/07 (–14%) and 2007/08 (–3%). The cyclical decline is forecast to endure in 2007/08 as the economic downturn worsens, and developers exercise caution in an environment of weak investor demand, due to a flat or falling real estate market.

The downturn will be moderated by the existence of substantial excess demand for dwellings in New South Wales and Queensland at this time.

The value of national high density commencements is forecast to bounce back in 2008/09 (+17%). Lower interest rates and better labour market conditions are expected to generate improvement in demand from owner-occupiers, and release some of the pent-up demand. Interest rates are forecast to be substantially reduced in 2007/08, which will improve housing affordability. In addition, we forecast that there will be substantial pent-up demand for dwellings by June 2007 in both New South Wales and Queensland. This environment is expected to provide stimulus to owner-occupier financed construction.

As a result, we forecast that commencements of high density dwellings will show rapid growth in 2008/09, as investor financed construction joins with owner-occupier demand to generate a strong upswing in activity.

Over the five-year period 2005–2009, commencements of high density dwellings are forecast to average $4.85 billion per annum, which will be 12% below the annual average for the previous five-year period 2000–2004.

Table 3: Value of building commenced, high density dwellings in 2002/03 chain volume measures by state ($ m)

Year Ended June	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	Australia
2000	1,921.6	1,174.4	764.1	91.7	368.8	24.1	52.5	41.6	4,438.7
2001	1,533.3	1,138.5	721.4	59.9	165.4	2.0	41.0	74.5	3,735.9
2002	2,848.3	1,418.4	1,197.0	98.3	174.3	7.4	21.0	112.5	5,877.2
2003	2,975.8	1,970.9	1,830.6	174.7	255.8	11.2	41.6	113.0	7,373.6
2004	2,599.2	1,216.5	1,689.2	76.0	329.3	23.9	70.7	226.0	6,230.7
Forecasts									
2005	2,120.0	940.0	1,810.0	60.0	290.0	40.0	70.0	120.0	5,450.0
2006	1,800.0	950.0	1,940.0	40.0	260.0	30.0	80.0	40.0	5,140.0
2007	1,500.0	810.0	1,710.0	30.0	240.0	20.0	60.0	30.0	4,400.0
2008	1,470.0	770.0	1,670.0	30.0	210.0	20.0	60.0	30.0	4,260.0
2009	1,900.0	840.0	1,820.0	40.0	270.0	20.0	60.0	40.0	4,990.0
Annual Percentage Change									
2001	-20.2	-3.1	-5.6	-34.7	-55.1	-91.8	-21.9	79.2	-15.8
2002	85.8	24.6	65.9	64.2	5.4	276.4	-48.8	51.0	57.3
2003	4.5	39.0	52.9	77.7	46.8	51.2	98.3	0.5	25.5
2004	-12.7	-38.3	-7.7	-56.5	28.7	113.0	69.9	99.9	-15.5
Forecasts									
2005	-18.4	-22.7	7.2	-21.0	-11.9	67.5	-1.0	-46.9	-12.5
2006	-15.1	1.1	7.2	-33.3	-10.3	-25.0	14.3	-66.7	-5.7
2007	-16.7	-14.7	-11.9	-25.0	-7.7	-33.3	-25.0	-25.0	-14.4
2008	-2.0	-4.9	-2.3	0.0	-12.5	0.0	0.0	0.0	-3.2
2009	29.3	9.1	9.0	33.3	28.6	0.0	0.0	33.3	17.1
Five-Year Averages									
2000-2004	2,375.6	1,383.7	1,240.5	100.1	258.7	13.7	45.4	113.5	5,531.2
2005-2009	1,758.0	862.0	1,790.0	40.0	254.0	26.0	66.0	52.0	4,848.0

Source: ABS data, BIS Shrapnel forecasts

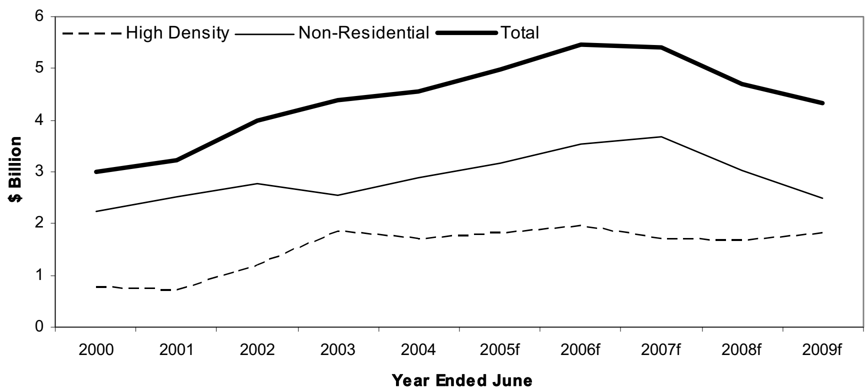
1.2. QUEENSLAND

Total building

Further growth in the total real value of commencements is forecast to occur in 2004/05 (+9%) and 2005/06 (+10%) as both the non-residential building and high density residential sectors enjoy strong levels of activity. The total real value of commencements is expected to reach of activity of $5.5 billion in 2005/06. From this high level activity, total building is expected to fall back by 1% in 2006/07 due to a 12% decline in high density residential commencements. Further declines are forecast in total building commencements in 2007/08 (–13%) and 2008/09 (–8%) as activity falls to $4.3 billion, the lowest level since 2002/03 as non-residential building weakens.

The annual average real value of total building commencements over the period 2005–2009 is expected to be around $5.0 billion, this is 30% stronger than the 2000–2004 period.

Value of Commencements - Queensland
2002/03 Chain Volume Measures



Source: ABS data, BIS Shrapnel forecasts

Non-residential building

In 2003/04, non-residential commencements in Queensland were $2.88 billion, 13% stronger than the previous year. This solid level of activity was led by robust gains in education (+71%) and health (+40%), coupled with increases in all of the commercial and industrial sectors, except other business premises (–36%).

Non-residential commencements are forecast to increase by 10% in 2004/05, followed by stronger growth of 11% in 2005/06. The upturn will be driven by the commercial and industrial sectors. Total non-residential commencements are forecast to reach the peak of this cycle at $3.69 billion in 2006/07. Apart from factories (–12%), all of the commercial and industrial sectors are expected to record increases in the level of non-residential building in 2006/07.

Annual non-dwelling building commencements, averaging $3.2 billion over the five year period 2005–2009, will be 23% above the level for the previous five-year period to 2003/04.

High density dwelling commencements

The value of high density dwelling commencements weakened in 2003/04 (–8%). Owner-occupier demand for high density dwellings in south-east Queensland has remained solid, as underlying demand has been rising. On the other hand, rising interest rates and apprehension about potential oversupply of coastal apartments appear to have slightly dampened investor demand for high density dwellings in 2003/04.

We forecast further growth in the value of high density dwelling commencements in 2004/05 (+7%) and 2005/06 (+7%). We estimate that dwelling commencements were below underlying demand from 2001/02 to 2003/04, and the stock deficiency in Queensland is estimated to be 31,700 as at June 2004. In addition, underlying demand is forecast to remain at between 47,000 and 48,000 dwellings per annum in 2004/05 and 2005/06. Strong net interstate migration inflow is expected to support underlying demand.

Growth in medium and high density dwelling commencements is expected to exceed that for private houses in 2004/05 and 2005/06, as land constraints in south-east Queensland generate higher density dwelling construction. We expect that underlying demand will remain strong, and that investor trepidation will be gradually assuaged by low vacancy rates, rising rents and improving values for rental properties.

Furthermore, the recently introduced vendor duty on investment properties in New South Wales is expected to direct some funds flow away from that state and into Queensland.

A substantial rise in interest rates and deterioration in economic conditions are forecast to result in a downturn in high density dwelling commencements in 2006/07 (–12%) and 2007/08 (–2%). Commencements of high density dwellings are forecast to rebound in 2008/09 (+9%).

While weakening in an adverse economic environment, our forecast of 8,260 high density dwelling commencements in 2007/08 is still high by historical standards, compared to the average 6,600 commencements recorded in the five years to 2003/04. This outcome is attributable to a persistent dwelling stock deficiency in Queensland, which should limit the decline in dwelling construction.

The forecast annual average value commencements of approximately $8.86 billion over the 2005–2009 period is around 34% above the average value over the 2000–2004 period.

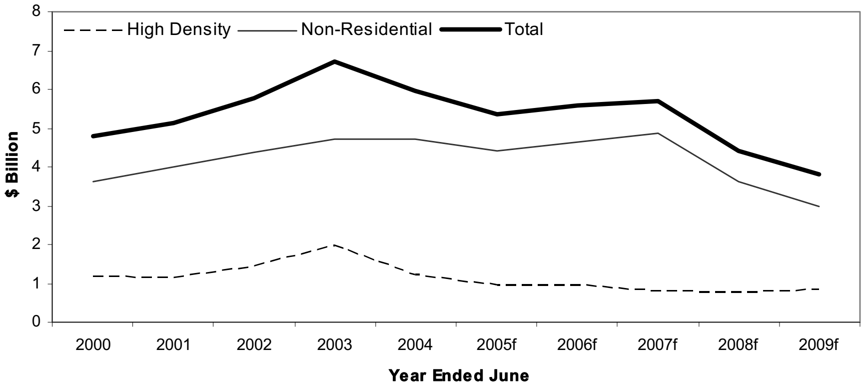
1.3. VICTORIA

Total building

The real value of total building declined by 11% in 2003/04 to $5.9 billion as high density residential suffered a sharp correction (–38%) and non-residential building commencements remained static.

The real value of total commencements is forecast to suffer a further 10% decline in 2004/05 as both high density residential (–23%) and non-residential building commencements (–7%) decline. However as recoveries in 2005/06 in both nonresidential (+6%) and high density residential (+5%) come through, total building commencements are forecast to increase by 5%. We anticipate further growth of 2% in 2006/07 to take total building commencements to $5.7 billion; this is 15% lower than the 2002/03 peak. Total value is expected to decline by 23% in 2007/08 followed by a further 13% in 2008/09 when activity falls to a trough of $3.8 billion.

Value of Commencements - Victoria
2002/03 Chain Volume Measures



Source: ABS data, BIS Shrapnel forecasts

Large declines in non-residential construction will drive this downturn. Over the period 2005–2009, the real value of total building commencements is forecast to annually average $5.0 billion, this is 12% lower than the previous five year average.

Non-residential building

Non-residential building commencements are forecast to fall by 7% in 2004/05 as all social and institutional sectors, except health (+26%), suffer declines. Activity is anticipated to recover in 2005/06 (+6%), driven by the commercial and industrial sectors. The peak of this cycle is forecast to occur in 2006/07 (+5%), when total nondwelling commencements reach $4.89 billion, which will be the highest level of activity on record. Following this record high, commencements are expected to fall back in 2007/08 (–26%) and 2008/09 (–18%), as the economy enters a recession.

Annual non-dwelling building commencements, averaging $4.1 billion over the five-year period 2005–2009, will be 4% lower the level for the previous five-year period to 2003/04.

High density dwelling commencements

We think that Victoria has entered a sustained downturn in dwelling construction, which will accelerate in 2004/05. Over the five years to 2003/04, total dwelling construction exceeded underlying demand, which was warranted as a stock deficiency of about 17,000 dwellings existed at June 1999. We estimate that a small excess of dwellings will exist by June 2004, and we expect that commencements will shift back towards underlying demand.

Underlying demand for new dwellings is estimated to be about 40,000 in 2004/05, which is below the 45,500 average dwelling commencements in 2002/03 and 2003/04.

Total dwelling commencements in Victoria are forecast to decline by 12% to 39,700 in 2004/05. The downturn is principally in the form of high density dwellings, as the market responds to a modest excess supply of inner Melbourne apartments.

Victorian dwelling construction is expected to enter the downturn with a small excess supply of dwellings, due to the combination of dwindling underlying demand and excess investment in inner Melbourne apartments. As a result, the decline in total commencements is forecast to be deeper in Victoria than in New South Wales or Queensland, as significant dwelling stock deficiencies are forecast to exist in the latter states.

The value of high density dwelling commencements are forecast to contract by a further 23% in 2004/05, led by a continued decline in inner Melbourne dwelling projects. Activity is then expected to stabilise in 2005/06. Weakening underlying demand, combined with rising interest rates, are expected to continue the downturn in the value of high density dwelling commencements into 2006/07 (–15%) and 2007/08 (–5%).

We forecast that Victoria will have a dwelling market that is close to balanced by June 2008, and we expect that a lowering of interest rates during 2007/08 will improve sentiment towards residential property, so that an upswing in construction will begin in the first half of calendar 2008. This upswing should continue in 2008/09, and the value of high density dwelling commencements are forecast to rise 9% in that year.

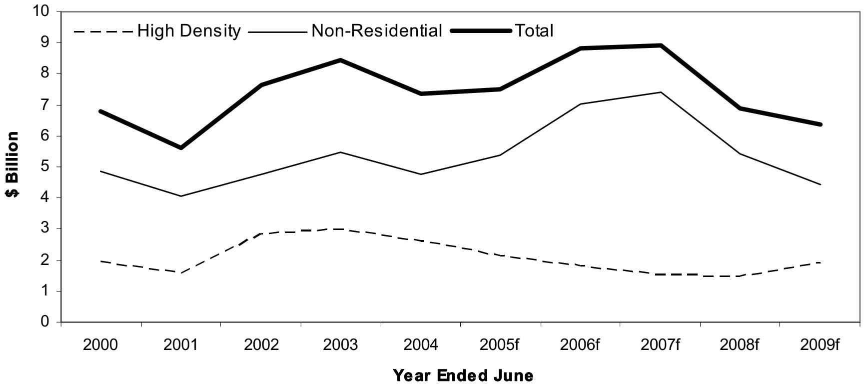
1.4. NEW SOUTH WALES

Total building

The total value of commencements declined by 13% in 2003/04 as both the non-residential and high density residential sectors each fell back by 13%.

We expect the total value of commencements to increase by a modest 2% in 2004/05 as growth in non-residential (+14%) is countered by a decline in high density residential (–18%). We forecast that total building will rebound by 18% in 2005/06 driven by a 31% boost in non-residential as high density residential is locked in a downturn. Total building activity is expected to reach the peak of this cycle in 2006/07 at $8.9 billion held up by the non-residential sector (+5%). In 2007/08, we expect a sharp 22% decline to come through in total building as both non-residential (–27%) and high density dwellings (–2%) decline. A further 8% decline is forecast to occur in 2008/09 when total building commencements fall to $6.4 billion, the lowest level since 2000/01. Over the five year period 2004–2009, the real value of total commencements is expected to average $7.7 billion annually; this is 8% stronger than the previous five years to 2003/04.

Value of Commencements - New South Wales
2002/03 Chain Volume Measures



Source: ABS data, BIS Shrapnel forecasts

BIS

Non-residential building

Activity decreased by 13% in 2003/04 to $4.8 billion, with both commercial and industrial (–14%) and social and institutional (–10%) building suffering declines.

Commencements are forecast to rebound strongly by 56% over the following three years to 2006/07, driven by the construction boom in commercial building, particularly in office, hotel and factory building activity. Activity is forecast to ease back by 40% over the two years to 2008/09, due to oversupply in the commercial and industrial sectors amid an economic slowdown.

Average annual commencements over the five-year period 2005–2009 are forecast to be around 24% higher than the preceding five-year period and 9% higher than that recorded over the five years to 1999.

High density dwelling commencements

In 2003/04, commencements of high density dwellings fell by 13%. This decline was driven by waning investor demand, following interest rate increases in December quarter 2003 and evidence of slowing residential property price growth. In 2004/05, the value of high density dwelling commencements are forecast to fall by a further 18%. Interest rates are forecast to be raised by 0.25% in both December quarter 2004 and March quarter 2005, which will further dampen investment flows into residential property.

A sharp rise in interest rates will extend the downturn phase of the cycle in 2005/06 (–15%). The downturn is forecast to continue in 2006/07 (–17%), as high mortgage interest rates greatly diminish investment in new dwellings.

The trough of the cycle in high density dwelling commencements will be reached in 2007/08 (–2%), as activity stabilises in an environment of weak economic growth and high unemployment, although sentiment should begin to improve as interest rates are lowered substantially in this year. High density dwelling commencements are forecast to rebound strongly in 2008/09 (+29%), due to lower interest rates and substantial pent-up demand for dwellings.

As dwelling construction is forecast to remain below underlying demand over the five years to 2008/09, we forecast a substantial dwelling stock deficiency to exist by June 2009. This process should facilitate strong growth in average rentals towards the end of the 2005–2009 period, and improving yields from investment properties. Strong rental growth should stimulate a strong upswing in high density dwelling construction in 2010–2014.

Yours sincerely,

R. B. Mellor

Robert Mellor
BIS Shrapnel Pty Limited

2 November 2004

» SECTION SIX BOARD

VERTICON GROUP LIMITED BOARD

6.1 BOARD

MICHAEL BUTLER
NON-EXECUTIVE CHAIRMAN

Michael Butler has been a public company director for more than 15 years, and brings significant experience as chairman of public companies to the Company. He is currently a non-executive director of AXA Asia Pacific Holdings Limited, Ticor Limited, Baxter Group Limited and Members Equity Pty Ltd. Michael was formerly chairman of Hamilton Island Limited and Ausdoc Group Limited.

MARK KEVIN
MANAGING DIRECTOR

Mark Kevin was formerly Chief Executive of Liberty Oil Corporation Pty Ltd. Mark has had a successful career in the oil industry spanning the last 20 years.

Mark brings to the business strong strategic skills coupled with strong people and organisational skills. He has a Bachelor of Commerce degree from the University of Melbourne. Further details about Mark's skills and expertise are set out in Section 3.6.

DAVID WIELAND
NON-EXECUTIVE DIRECTOR

David Wieland, in partnership with David Goldberger, has been involved in the oil industry with Solo and now Liberty Oil Corporation Pty Ltd since 1971. He is a director of a wide range of private companies including Austexx Pty Ltd (Direct Factory Outlets), Peninsula Construction Group Pty Ltd, and Peninsula Development Group Pty Ltd.

David brings wide experience across a number of diverse industries.

David is also a director of the Existing Shareholder.

DAVID GOLDBERGER
NON-EXECUTIVE DIRECTOR

David Goldberger, with David Wieland, has been involved in the oil industry with Solo and now Liberty Oil Corporation Pty Ltd since 1971. He is also a director of a wide range of private companies including Austexx Pty Ltd (Direct Factory Outlets), Peninsula Construction Group Pty Ltd, and Peninsula Development Group Pty Ltd.

David brings vast business experience with strong entrepreneurial skills to Verticon Group.

David is also a director of the Existing Shareholder.

DENIS TOMASEL
EXECUTIVE DIRECTOR

Denis is the founder of Seca.

Denis is highly respected for his expertise and achievements within the tower crane hire industry. Further details about Denis's skills and expertise are set out in Section 3.6.

BOARD

6.2 CORPORATE GOVERNANCE

The Company's Board of Directors is responsible for protecting the rights and interests of all shareholders in the Company through a process of policy settings and performance monitoring. The Board's functions include:

» guiding and approving strategic direction and business planning for the Company;

» 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 Managing Director; and

» ensuring the Company complies with its responsibilities under the Corporations Act, the ASX Listing Rules, the Company's Constitution and other relevant laws.

The composition of the Board is determined in accordance with the following general principles:

» the chairperson will be an independent non-executive Director;

» the Board will comprise Directors with a broad mix of business expertise and experience.

The composition of the Board, its performance and the appointment of new Directors will be reviewed periodically by the Board, taking advice from the Remuneration and Nomination Committees and external advisers as appropriate.

In order to better manage its responsibilities, the Board has established an Audit and Risk Committee, an Occupational Health, Safety and Environment Committee, a Remuneration Committee, and a Nomination Committee. The Board has also adopted a formal securities trading policy for Directors.

(1) Audit and Risk Committee

The Audit and Risk Committee's primary objective is to assist and advise the Board in fulfilling its responsibilities in relation to the accounting and reporting practices of the Company, including:

» making recommendations in relation to the nomination and remuneration of external auditors;

» reviewing the Company's financial control practices and evaluating the effectiveness of those practices; and

» monitoring the integrity of the Company's financial statements.

This Committee is not responsible for the review of related party transactions, as all such matters must be referred to the full Board.

The Committee comprises a minimum of two non-executive Directors and is chaired by a non-executive Director who is not the chairperson of the Board. Executives may attend by invitation.

The current members of the Committee are the Chairman, David Wieland and David Goldberger.

The Company's current external auditors are PricewaterhouseCoopers. The external auditors have a direct line of reporting to the Committee and have clear and open access to members of this Committee.

The Audit and Risk Committee also has the function of reviewing management practices in relation to the identification and management of significant financial risk areas and regulatory compliance (other than in relation to occupational health and safety, and environmental matters). Formal systems have been introduced for regular reporting to the Board on financial risks and compliance matters.

(2) Occupational Health, Safety, and Environmental Committee

This Committee's primary role is to review and report to the Board on all Occupational Health, Safety and Environment Policies and to monitor the effectiveness of management systems covering these risks across all aspects of the business. The Committee comprises of a minimum of 2 Directors and a majority of non-executive Directors and meets at least twice a year. Current members of the Committee are Mark Kevin, David Wieland, and David Goldberger.

(3) Remuneration Committee

This Committee's principal function is reviewing and making recommendations to the Board on remuneration packages and policies applicable to Directors, senior executives and Company employees generally. The Committee is comprised of a minimum of 2 non-executive Directors and meets at least twice each year. Current members are the Chairman, David Wieland, and David Goldberger.

(4) Nomination Committee

This Committee's principal function is in determining criteria for the appointment of individuals to the Board, identifying suitable individuals for Board membership and evaluating performance. The Committee is comprised of a minimum of 2 Directors and meets at least twice each year. Current members are the Chairman, Mark Kevin, David Wieland, and David Goldberger.

(5) Securities Trading Policies

The Company has a securities trading policy for Directors and senior executives. The policy requires Directors and senior executives to advise the chairperson or the Managing Director if they intend to trade in securities in the Company and provides safeguards for both the Company and the individual with respect to securities trading.

Shareholder communication

The Board aims to ensure that all shareholders of the Company are kept informed of all material developments affecting the Company's business in accordance with all applicable disclosure requirements. Information is communicated to shareholders through the Annual General Meeting, Annual Report, half year and full year results announcements, formal disclosures to ASX and the Company's website at www.verticon.com.au. The Annual General Meeting provides a particularly important forum for shareholder participation in the Company's activities.

» SECTION SEVEN FINANCIAL INFORMATION

FINANCIAL INFORMATION

7.1 INTRODUCTION

This Section provides pro forma historical and forecast financial information of Verticon Group which includes the Acquisitions, being the Seca and Econ acquisitions. All information is presented on a pro forma basis as the Acquisitions have not yet been completed.

Pro Forma Historical Financial Information

- Pro forma financial performance presented to EBITDA level for FY03 including the results of the acquisition of Seca as if the Seca business was owned by Verticon Group throughout FY03. Financial results for Econ were not available for FY03 and have therefore not been incorporated.
- Pro forma financial performance presented to EBITDA level for FY04 including the results of the Acquisitions assuming both Seca and Econ were owned by Verticon Group throughout FY04.
- Pro forma statement of financial position as at 30 June 2004 adjusted for the impact of the Acquisitions and the Offer assuming they occurred on 30 June 2004.

Pro Forma Forecast Financial Information

- Pro forma forecast financial performance and cash flows from the incorporation date of 15 October 2004 to 30 June 2005 including the results of the Acquisitions from the assumed completion date of the Acquisitions of 20 December 2004 to 30 June 2005. ("Statutory Financial Forecast")
- Pro forma forecast financial performance and cash flows for the 12 months ending 30 June 2005 including the results of the Acquisitions assuming they were all owned by Verticon Group from 1 July 2004 ("Pro Forma Financial Forecast").

The financial information that is presented and explained in this Section has been prepared in accordance with Australian accounting standards, other authoritative pronouncements of the Australian Accounting Standards Board and Urgent Issues Group Consensus Views (Australian GAAP). The accounting policies of Verticon Group are set out in Section 7.11 and have been consistently applied throughout the period.

All information presented in this Section should be read in conjunction with:

- The Directors' best estimate assumptions described in Section 7.6
- The risk factors in Section 8
- The Investigating Accountant's Report set out in Section 9.

7.2 BASIS OF PREPARATION OF THE PRO FORMA HISTORICAL FINANCIAL INFORMATION

Verticon Group was incorporated on 15 October 2004 and as such there is no historical financial performance information applicable.

The Pro Forma Historical Financial Information has been prepared as if:

- Verticon Group had been operational for periods commencing 1 July 2002
- The Seca acquisition had occurred as at 1 July 2002
- The Econ acquisition had occurred as at 1 July 2003.

Historical financial results for Econ for FY03 are not available for incorporation in the pro forma historical financial performance for that year as a result of the occurrence of a dispute between Econ and Econ Cranes Pty Ltd (in liquidation) (a company which is not associated with Econ). The nature and resolution of the dispute have been investigated, and the Company is confident the matters relating to the dispute will not affect the on-going performance of the Company.

The Company's pro forma statement of financial position as at 30 June 2004 has been prepared as if Verticon Group had been incorporated and the Acquisitions and the Offer occurred as at 30 June 2004.

The Pro Forma Historical Financial Information of Verticon Group has been compiled from:

- Seca – Reviewed financial accounts for FY03 and audited special purpose financial statements for FY04;
- Econ – Reviewed financial accounts for FY04.

FINANCIAL INFORMATION

The Pro Forma Historical Financial Information does not include any costs associated with operating as a publicly listed company with an independent Board of Directors. The Pro Forma Forecast Financial Information for FY05 has been adjusted to reflect the additional costs associated with a listed public company structure.

7.3 BASIS OF PREPARATION OF PRO FORMA FORECAST FINANCIAL INFORMATION

The Directors' forecast financial information comprises the Statutory Financial Forecast for FY05 and the Pro Forma Financial Forecasts for FY05, together with the best estimate assumptions on which they are based. These forecasts should be read in conjunction with the sensitivity analysis contained in this Section and with the risk factors detailed in Section 8.

The Directors' Statutory Financial Forecast for FY05 includes the forecast results of Verticon Group from its date of incorporation of 15 October 2004 and the Acquisitions to be made during FY05 from the planned completion date of 20 December 2004. The Company has not and is not forecast to trade between the date of incorporation and the planned date for completion of the Acquisitions.

As the Acquisitions will take place part way through FY05, the Directors have also prepared a Pro Forma Financial Forecast for the 12 months ending 30 June 2005. This forecast is prepared as if Verticon Group was incorporated and the Acquisitions completed on 1 July 2004.

The Directors' forecast financial information is based on the Directors assessment of the present economic and operating conditions and on a number of best estimate assumptions regarding future events and actions, which, at the date at which the forecasts were adopted, the Directors reasonably expect to take place. These events or actions may or may not take place. The Directors believe that they have prepared the Pro Forma Forecast Financial Information with due care and attention and consider all assumptions to be reasonable when taken as a whole.

The forecasts are, by their very nature, subject to uncertainties and unexpected events, many of which are outside the control of Verticon Group and its Directors.

Events and circumstances often do not occur as anticipated and therefore actual results are likely to differ from the forecasts and these differences may be materially positive or negative because the Pro Forma Financial Forecast and the Statutory Financial Forecast, and the best estimate assumptions on which they are based, are by their very nature subject to significant uncertainties and contingencies, many of which are outside the control of the Directors and are not reliably predictable. Accordingly, neither Verticon Group, nor its Directors guarantee that the forecasts will be achieved.

FINANCIAL INFORMATION

7.4 PRO FORMA HISTORICAL AND FORECAST FINANCIAL INFORMATION

The table below sets out the pro forma historical information and the Directors' forecast financial information.

	Pro forma historical financial performance		Pro Forma Financial Forecast	Statutory Financial Forecast
($ MILLION)	**FY03**[(1)]	**FY04**[(2)(7)]	**FY05**[(3)]	**FY05**[(4)]
Contract revenue	18.0	35.1	44.5	24.3
Direct costs	(8.9)	(17.2)	(22.2)	(12.5)
Gross profit	9.1	17.9	22.3	11.8
Other income	0.5	0.3	1.1	0.8
Operating expenses	(3.1)	(5.3)	(7.1)	(4.1)
EBITDA	6.5	12.9	16.3	8.5
Depreciation	[(5)]	[(5)]	(2.6)	(1.4)
Amortisation	[(5)]	[(5)]	(0.3)	(0.2)
EBIT	[(5)]	[(5)]	13.4	6.9
Interest expense	[(5)]	[(5)]	(0.1)	(0.2)
NPBT	[(5)]	[(5)]	13.3	6.7
Tax	[(5)]	[(5)]	(3.8)	(1.8)
NPAT	[(5)]	[(5)]	9.5	4.9
Revenue Growth (%)	N/A	64% [(6)]	27%	N/A[(3)(4)(5)]
Gross margin (%)	50.6%	51.0%	50.1%	48.6%
EBITDA Margin (%)	36.1%	36.8%	36.6%	35.0%
Basic EPS (cents)	[(5)]	[(5)]	15.2[(8)]	7.9[(8)]

Notes:

(1) Pro Forma Financial results for FY03, assuming the proposed Seca acquisition was effective at 1 July 2002. Historical financial results for Econ have not been included as this information is not available.

(2) Pro Forma Financial Results for FY04, assuming both of the Acquisitions occurred on 1 July 2003. This includes the financial results of Econ for FY04.

(3) Pro Forma Financial Forecast for FY05 includes Verticon Group and the Acquisitions as if Verticon Group had been incorporated and both the Acquisitions had been completed on 1 July 2004.

(4) Statutory Financial Forecast for FY05 includes Verticon Group and the Acquisitions from the date these acquisitions are to be completed which is assumed to be 20 December 2004.

(5) As Verticon Group previously operated under a different corporate and capital structure and with a different cost base for property, plant and equipment, reporting historical depreciation, net interest expense and income tax expense is not considered to be meaningful or appropriate. Accordingly pro forma historical EPS is also not presented.

(6) Revenue growth for FY04 relative to FY03 has been calculated by comparing the Seca only revenue of $29.6 million for FY04 with the Seca only revenue of $18.0 million for FY03. Revenue growth for the Statutory Financial Forecast is not presented as this period of less than 12 months is not comparable with the prior 12 month period.

(7) Pro Forma Historical Financial Information for FY04 is presented after adding back $0.2 million non-recurring professional fees included in the special purpose financial statements.

(8) Denotes basic Earnings Per Share based on 62,352,492 Shares on issue at completion of the Offer. By 31 December 2004 there will be 400,000 Options on issue. It is expected that the earliest date that any of these Options can be exercised is 1 July 2006, which is beyond the Forecast Period. Accordingly, the dilutive effect of these Options has not been included in the calculation of Earnings Per Share (see Section 10.5(3)(a) for details of these Options).

FINANCIAL INFORMATION

7.5 MANAGEMENT DISCUSSION AND ANALYSIS OF HISTORICAL AND FORECAST FINANCIAL INFORMATION

7.5.1 Pro Forma Historical Financial Information for FY03 and FY04

The Pro Forma Historical Financial Information has been extracted from the:

» Reviewed financial accounts of Seca for FY03

» Audited special purpose financial statements of Seca for FY04

» Reviewed financial accounts of Econ for FY04.

Revenue

Contract revenue comprises revenue from crane and hoist hire operations. Other income comprises management fee income and maintenance revenues.

Seca revenue from crane and hoist hire increased 64% from $18.0 million in FY03 to $29.6 million in FY04. The main driver for this growth was an increase in the number of cranes in operation from 45 cranes and 9 hoists at 1 July 2002 to 62 cranes and 26 hoists at 30 June 2004. Utilisation was maintained at between 75% to 80% in both FY03 and FY04.

Econ earned $5.5 million contract revenue from crane hire operations in FY04 based on 11 cranes and 2 hoists in operation.

Direct costs

Direct costs comprise direct wages and on-costs, subcontractor charges, spare parts and equipment rent for mobile cranes. Direct costs decreased from 49.4% of contract revenue in FY03 to 49.0% of contract revenue in FY04. This reflects Econ's lower direct costs at 45.5% of contract revenue due to the majority of contracts being dry hire which generally achieves higher gross margins in percentage terms.

Operating expenses

Operating expenses include corporate wages and on-costs, insurance, rent, repairs and maintenance and other overhead costs not directly attributable to specific contracts.

Operating expenses for Seca business increased by 35% from $3.1 million in FY03 to $4.2 million in FY04. This represents a decrease in operating expense ratio from 17.2% to 14.2%. The main components of the $1.1 million increase in operating expenses were increases in repairs and maintenance costs of $0.5 million due to increased fleet size, increases in salary and on-costs of $0.3 million and rent and insurance costs of $0.3 million.

The main components of Econ's operating expenses of $1.1 million in FY04 were salary and on-costs of $0.7 million.

7.5.2 Pro forma Forecast Financial Information for FY05

Revenue

Contract revenue from crane hire and hoist hire is forecast to increase by 27% from $35.1 million to $44.5 million due to an increase in the number of cranes available for hire from 73 at 1 July 2004 to 79 at 30 June 2005 and hoists available from 28 at 1 July 2004 to 31 at 30 June 2005.

Direct costs

Direct costs are forecast to increase marginally to 49.9% of revenue from crane hire due to increased salary and on-costs.

Operating expenses

Operating expenses are forecast to increase by 34% from $5.3 million to $7.1 million. The main drivers for this increase are the estimated costs of the new executive positions within Verticon Group and additional costs associated with managing a public company including non-executive directors' fees, insurance, ASX and registry fees.

Depreciation and amortisation

Depreciation of $2.6 million is based on the acquisition price of cranes, hoists and associated equipment acquired and an assessment of useful lives.

Amortisation of $0.3 million has been forecast based on intangible assets (including goodwill) of $5.4 million being amortised over 20 years.

Interest expense

Based on timing of forecast cash flows Verticon Group is expected to utilise its bank facility. Interest expense of $0.1 million is forecast in the Pro Forma Financial Forecast. The Statutory Financial Forecast includes a higher interest expense of $0.2 million which reflects the timing of capital expenditure and working capital requirements building up in December 2004 and January 2005 immediately following acquisition.

7.6 BEST ESTIMATE ASSUMPTIONS

The following sets out the Directors best estimate assumptions on which the Pro Forma Financial Forecast and Statutory Financial Forecast summary are prepared.

7.6.1 General Assumptions

The general assumptions on which the Directors' forecasts are based are as follows:

» The Offer is fully subscribed and proceeds are received by the Closing Date.

» There is no substantial change in the competitive or regulatory environment that will have an impact on Verticon Group's ability to conduct its existing business or on its operations.

» There are no material changes in general industrial, political or economic conditions in Australia or overseas.

» There are no material beneficial or adverse impacts arising from the actions of competitors.

» There will be no loss of key personnel during the forecast period.

» Subsequent to the Acquisitions, there are no material acquisitions or disposals.

FINANCIAL INFORMATION

- » Verticon Group is not party to any material litigation or other contingent liability.
- » There are no further issues of Shares during the forecast period.
- » There is no material change in activity levels for the Queensland and Victorian lifting services industry from the level of demand experienced in the three months ended 30 September 2004.
- » There is no material amendment to any material agreement relating to the business of Verticon Group.
- » There are no significant changes to the statutory, legal or regulatory environment which would be detrimental to Verticon Group in any of the jurisdictions in which it operates.
- » There is no significant change in the legislative regimes and regulatory environments (including taxation) in the jurisdictions in which Verticon Group or its key customers or suppliers operate which would materially impact on the Pro Forma Forecast Financial Information.
- » Cost inflation will approximate CPI at an estimated 2.5% pa.

There are no material changes in Australian Accounting Standards, Statements of Accounting Concepts or other mandatory professional reporting requirements, being Urgent Issues Group Consensus Views and the Corporations Act, which would have a material effect on the financial results of Verticon. The impact of the adoption of Australian equivalents to International Financial Reporting Standards is discussed in Section 7.12.

7.6.2 Specific Assumptions for FY05

The Directors' specific assumptions relating to Pro Forma Financial Forecast for FY05 are set out below.

Assignment of contracts

All contracts of Seca and Econ will be assigned to Verticon Group on completion of the Acquisitions, or Verticon Group will have the benefit of these contracts under the relevant Acquisition Agreement (see Sections 10.4(2) and 10.4(3)).

Revenue

- » Forecast contract revenue from crane and hoist hire for FY05 is based on contracted revenue of $35.6 million (80% of total) plus expected additional revenue of $8.9 million.
- » Expected additional revenue has been assessed based on an assessment of current quotes not yet contracted and expected quotes for the remainder of the year and has been limited to a utilisation of equipment not exceeding historical experience in FY04 of between 75% to 80%.
- » Rates charged by Verticon Group for the expected additional revenue have been assumed to be consistent with contracted revenues.
- » Other income comprises mainly maintenance revenue and management fees from one off projects with joint venture parties.

Operating Costs

- » Gross margins are consistent with historical levels and year to date performance.
- » Overhead costs are based on historical levels adjusted for the forecast level of activity.
- » Corporate overheads are based upon historical levels, adjusted for future events, including the establishment of a public company head office function.

Depreciation and amortisation

- » Depreciation rates have been determined based on the estimated useful lives of non-current assets. Cranes and hoists have been estimated to have a remaining useful life of a maximum 20 years from date of acquisition by Verticon Group.
- » Goodwill has been forecast to be amortised over a period of 20 years.

Interest expense

- » Interest expense is calculated at 8% based on the forecast monthly cash position of Verticon Group.

Taxation

- » Taxation expense is based on the 30% tax rate adjusted for expected permanent differences.

Cash flows

- » Forecast working capital movements have been assumed based on historic average debtor and creditor days.
- » Capital expenditure of $5.8 million will be incurred during FY05 based on planned purchases of cranes and hoists.
- » Taxation payments are based on forecast tax payable settled at the end of each quarter. There is no tax payable during FY05 for the purposes of the Statutory Financial Forecast.
- » Cash flows from the Acquisitions and the net proceeds from the Offer are based on the Pro Forma Transactions described in Section 7.8.

Statutory Financial Forecast

In preparing the Statutory Financial Forecast, the Directors' have applied assumptions consistent with the above, adjusted to reflect the expected timing of revenues, expenses and cash flows.

FINANCIAL INFORMATION

7.7 SENSITIVITY ANALYSIS

7.7.1 Directors' Pro Forma Forecast Financial Information

The Pro Forma Forecast Financial Information has been based on certain assumptions (see above), regarding future conditions, events and on such matters as economic, industry, regulatory and other specific matters relating to Verticon Group. Verticon Group's profitability is sensitive to movements in a number of key variables including:

» Contract revenue (both via volume and charge out rates)

» Staff costs

» Overhead costs.

Investors should note that this analysis treats each movement in an assumption in isolation from possible movements in other assumptions, which may not be the case. Movements in one assumption may have offsetting or compounding effects on other variables, the effects of which are not reflected in the following analysis.

In addition, it is possible that more than one assumption may move at any point in time, giving rise to cumulative effects, which are also not reflected in this analysis.

Typically, Verticon Group's management would respond to any material adverse change in conditions by taking appropriate action to minimise, to the extent possible, any adverse effects on profits and dividends. The effect of any such mitigating action has also been excluded from the following analysis for the Pro Forma Forecast Financial Information for FY05:

Pro Forma Financial Forecast

		Effect on Contract Revenue		Effect on NPAT	
Variable	**Movement**	**$ MILLION**	**%**	**$ MILLION**	**%**
Contract Revenue	+/– 1%	+/– 0.45	+/– 1	+/– 0.16	2
Gross Profit Margin %	+/– 1%	–	–	+/– 0.31	3
Operating Expenses	+/– 1%	–	–	+/– 0.05	1

Statutory Financial Forecast

		Effect on Contract Revenue		Effect on NPAT	
Variable	**Movement**	**$ MILLION**	**%**	**$ MILLION**	**%**
Contract Revenue	+/– 1%	+/– 0.24	+/– 1	+/– 0.09	2
Gross Profit Margin %	+/– 1%	–	–	+/– 0.17	3
Operating Expenses	+/– 1%	–	–	+/– 0.03	1

7.8 PRO FORMA STATEMENT OF FINANCIAL POSITION

The Pro Forma Statement of Financial Position has been based on the:

» Audited special purpose financial reports of Seca for FY04

» Reviewed financial accounts of Econ for FY04

The Pro Forma Statement of Financial Position following the Offer shows the position as at 30 June 2004 as if:

» Verticon Group had been incorporated at 30 June 2004

» the Offer had completed as at 30 June 2004

» the Acquisitions were completed as at 30 June 2004.

FINANCIAL INFORMATION

		Pro Forma Transactions			
	Verticon Group Pro Forma 30 June 2004 $ MILLION	Completion of the Offer $ MILLION[1]	Acquisition of assets from Seca $ MILLION[2]	Acquisition of assets from Econ $ MILLION[3]	Pro forma 30 June 2004 $ MILLION
Current Assets					
Cash Assets	–	45.5	(39.1)	(5.3)	1.1
Total Current Assets	**–**	**45.5**	**(39.1)**	**(5.3)**	**1.1**
Non-Current Assets					
Intangible Assets	–	–	5.4	–	5.4
Property, Plant and Equipment		–	34.1	7.2	41.3
Tax Assets	–	–	0.1	–	0.1
Total Non-Current Assets	**–**	**–**	**39.6**	**7.2**	**46.8**
Total Assets	**–**	**45.5**	**0.5**	**1.9**	**47.9**
Current Liabilities					
Payables	–	–	0.3	0.1	0.4
Total Current Liabilities	**–**	**–**	**0.3**	**0.1**	**0.4**
Non-Current Liabilities					
Provisions	–	–	0.2	–	0.2
Total Non-Current Liabilities	**–**	**–**	**0.2**	**–**	**0.2**
Total Liabilities	**–**	**–**	**0.5**	**0.1**	**0.6**
Net Assets	**–**	**45.5**	**–**	**1.8**	**47.3**
Equity					
Contributed Equity	–	45.5	–	1.8	47.3
Total Equity	**–**	**45.5**	**–**	**1.8**	**47.3**

The Pro Forma Transactions are as follows:

a) Completion of the Offer:
- Issue of 41,666,667 shares for $50 million.
- Payment of $4.5 million in transaction costs associated with the issue of equities which has been debited against share capital.

b) Completion of the acquisition of Seca:
- payment of $37.7 million for the acquisition of Seca based on a purchase price of $37.1 million and an estimate of the adjustments to be made at completion or listing as set out in Section 10.4(2) – Seca Business Acquisition Agreement.
- payment of costs of acquisition (including stamp duty) of $1.4 million.
- recognition of net assets acquired of $33.7 million leading to recognition of intangible assets including goodwill of $5.4 million with the fair value of property plant and equipment based on independent valuation.

c) Completion of the acquisition of Econ:
- payment of $5.3 million cash plus $1.8 million in shares for the acquisition of Econ based on a purchase price of $7.2 million and an estimate of the adjustments to be made at completion or listing as set out in Section 10.4(3) – Econ Business Acquisition Agreement.
- recognition of net assets acquired of $7.1 million with the fair value of property plant and equipment based on independent valuation.

FINANCIAL INFORMATION

7.9 PRO FORMA AND STATUTORY FORECAST CASH FLOWS FOR FY05

The table below sets out the Pro Forma Financial Forecast and Statutory Financial Forecast cash flows for FY05.

$ MILLION	Pro Forma Financial Forecast FY05	Statutory Financial Forecast FY05
EBITDA	16.3	8.5
Movement in working capital[1]	(1.0)	(8.3)
Net interest payments	(0.1)	(0.2)
Income tax payments	(3.1)	–
Net operating cash flows	**12.1**	**–**
Acquisitions	–	(44.4)
Capital expenditure	(5.8)	(5.3)
Net investing cash flows	**(5.8)**	**(49.7)**
Net proceeds from issue of shares	–	45.5
Net financing cash flows	–	**45.5**
Net cash increase/(decrease)	**6.3**	**(4.2)**
Opening cash balance per bank		–
Cash at the end of the financial year[1]		**(4.2)**

Notes:

(1) The Acquisitions did not include any working capital. During the first quarter following acquisition, Verticon Group will therefore need to make a significant investment in working capital, consisting primarily of a build-up in trade debtors.

The forecast cash flow also assumes capital expenditure of $5.3 million in the statutory period, funded out of operating cash flows. As a consequence the Statutory Financial Forecast results in a funding requirement, to be met by Verticon Group's borrowing facilities as described in Section 10.4(4).

No dividend payments are included in the FY05 Pro Forma and Statutory Forecast Cash Flows above. Once normal levels of working capital have been established, operating cash flows net of capital expenditure will be used to fund future dividend payments. The Pro Forma Financial Forecast cash flow shows a net cash increase of $6.3 million.

Verticon Group's first dividend is forecast to be paid during November 2005, and is projected to be funded out of operating cash flows and borrowing facilities, if required.

7.10 DIVIDEND POLICY AND FORECAST DISTRIBUTION

Subject to Directors' forecasts being met, Verticon Group expects to declare a fully franked final dividend of 4.0 cents per Share for FY05.

The Directors are committed to pay regular fully franked dividends. In subsequent years and subject to Verticon Group achieving sufficient profits, Verticon Group anticipates that it will distribute, in the form of an interim and final dividend, approximately 55% of after tax full year profits. These dividends will be franked to the fullest extent possible.

The Directors may review this dividend policy from time to time and may change its terms. 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 and its financial and taxation position at the time.

7.11 ACCOUNTING POLICIES

Revenue recognition

Amounts disclosed as revenue are net of trade allowances and duties and taxes paid. Revenue is recognised for the major business activities, including erection and dismantling of the cranes and hoists, weekly rental and weekly labour hire, as well as rigging events based upon when the service has been performed.

Amounts invoiced during the financial period, but remaining unpaid at balance date are recorded as trade debtors. Revenue relating to work performed during the financial period, but not invoiced until after balance date is brought to account as accrued revenue during the financial period.

FINANCIAL INFORMATION

Acquisitions of assets
The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

Recoverable amount of non-current assets
The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the recoverable amount write-down occurs. The expected net cash flows included in determining recoverable amounts of non-current assets have not been discounted to their present values.

Revaluations of non-current assets
Subsequent to initial recognition as assets, land and buildings are measured at fair value being the amounts for which the assets could be exchanged between knowledgeable willing parties in an arm's length transaction. Revaluations are made with sufficient regularity to ensure that the carrying amount of each piece of land and each building does not differ materially from its fair value at the reporting date. Assessments are made by the directors, supplemented by independent assessments when deemed necessary.

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in net profit or loss, the increment is recognised immediately as revenue in net profit or loss.

Decrements are recognised immediately as expenses in net profit or loss, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve.

Revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

Potential capital gains tax is not taken into account in determining revaluation amounts unless it is expected that a liability for such tax will crystallise.

Depreciation of property, plant and equipment
Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each item of property, plant and equipment (excluding land) over its expected useful life to the company. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful lives are as follows:

CRANES AND HOISTS	5 TO 20 YEARS
OTHER PLANT AND EQUIPMENT	4 TO 10 YEARS
MOTOR VEHICLES	8 TO 12 YEARS

Where items of plant and equipment have separately identifiable components which are subject to regular replacement, those components are assigned useful lives distinct from the item of plant and equipment to which they relate.

Major spares purchased specifically for particular plant are capitalised and depreciated on the same basis as the plant to which they relate.

Dividends
Provision is made for the amount of any dividend declared, by the Directors on or before the end of the financial year but not distributed at balance date.

Maintenance and repairs
The Company's 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 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 "Depreciation of property, plant and equipment" above. Other routine operating maintenance, repair and minor renewal costs are also charged as expenses as incurred.

Employee benefits

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.

FINANCIAL INFORMATION

Long service leave
The liability for long service leave of administration staff expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with "wages and salaries and annual leave" above. The liability for long service leave expected to be settled more than 12 months from the reporting date 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.

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.

7.12 AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (A-IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB finalised issuing the A-IFRSs to apply from 1 January 2005 at their meeting on 15 July 2004, and the Urgent Issues Group will continue to issue abstracts corresponding to IFRS interpretations originated by the International Financial Reporting Interpretations Committee (formerly the Standing Interpretations Committee). The adoption of A-IFRS will be first reflected in the Company's financial statements for the half year ending 31 December 2005 and FY06.

Entities complying with A-IFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of A-IFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

All financial information disclosed in this Prospectus has been prepared in accordance with generally accepted accounting principles in Australia (Australian GAAP) applicable at 30 September 2004. The differences between Australian GAAP and A-IFRS identified by management to date as potentially having a material effect on the financial position and financial performance of Verticon Group are summarised below. The summary should not be taken as an exhaustive list of all of the differences between Australian GAAP and A-IFRS. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented.

Regulatory bodies that promulgate Australian GAAP and IFRS have significant ongoing projects that could affect the differences between Australian GAAP and IFRS described below and the impact of these differences relative to Verticon's financial statements in the future. In making your investment decision you must rely on your own examination of Verticon, the terms of the offering and the financial information. You should consult your own professional advisers for an understanding of the differences between Australian GAAP and IFRS, and how those differences might affect the financial information in this Prospectus.

The potential impacts on the financial performance and financial position of Verticon Group of the adoption of IFRS, including system upgrades and other implementation costs that may be incurred, have not been quantified as the actual impacts will depend on the particular circumstances prevailing at the time of adoption.

The key potential implications of the conversion to IFRS for Verticon Group are discussed below.

Business combinations
Pending standard AASB 3 "Business Combinations" will apply to the accounting for the Acquisitions.

Under current Australian GAAP, when a business combination occurs, any excess of the purchase consideration over identifiable net tangible assets and specifically identified intangible assets is generally accounted for as goodwill. AASB 3 is far more prescriptive in its requirements and as such, an entity must allocate the cost of the business combination across all assets and liabilities acquired including a broad range of identifiable intangible assets. This requirement is likely to result in the recognition of more identifiable intangible assets which may include customer contracts, customer relationships and licences.

It is likely that some of the intangible assets separately identified under AASB 3 will have a useful life shorter than the period over which goodwill was being amortised under Australian GAAP. This may have the impact of higher amortisation charges in early years.

It is not anticipated that any additional amortisation charge under IFRS would impact upon the projected level of dividends set out in this Prospectus.

Any remaining excess of purchase consideration over identified assets and liabilities is recorded as Goodwill. Under AASB 3, goodwill is no longer amortised, but instead is subject to a rigorous annual impairment test.

FINANCIAL INFORMATION

Income Tax
Under the AASB 112 "Income Taxes", deferred tax balances are determined using the balance sheet method which calculates temporary differences by comparing the carrying amounts of an entity's assets and liabilities in the balance sheet with their associated tax bases. In addition, the impact of current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method. Items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and the impact of current and deferred taxes cannot be recognised directly in equity.

Share based payments
Under the AASB 2 "Share Based Payments", shares and options issued to employees as remuneration will be recognised as an expense over the vesting period in respect of services received at the fair value of shares and options issued at grant date. This will result in a change to current accounting policy, under which no expense is recognised for share options issued to employees as remuneration.

AASB 1 "First-time adoption of Australian Equivalents to International Financial Reporting Standards", provides an exemption in relation to Share based Payments.

A first-time adopter is not required to apply AASB 2 "Share based Payments" to equity instruments that vested before 1 January 2005. Certain shares issued to employees as disclosed in this Prospectus, are expected to vest before 1 January 2005 and management currently expect to utilise the exemption included in AASB 1 and not account for these equity instruments under AASB 2 upon transition to A-IFRS.

Property, plant and equipment
Plant and Equipment of Verticon Group is currently depreciated to its residual value over its useful life on an asset-by-asset basis AASB 116 "Property, Plant & Equipment" requires that each part of an item of property, plant & equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

Depending on what is determined to be a 'significant part' of an item of property, plant & equipment, the requirement of AASB 116 could result in parts of property, plant & equipment with shorter useful lives being separately depreciated resulting in a earlier recognition of depreciation than under the current accounting policy.

The above should not be regarded as a complete list of changes in accounting policy that will result from the transition to A-IFRS. It is not yet possible to reliably estimate the impact on the transition to A-IFRS on Verticon Group's financial position and reported results as:

» not all standards have been analysed in detail as yet and some decisions have not yet been made where choices of accounting policy are available
» it is not until the Company takes control of the Acquisitions that it will have the necessary access to complete its analysis which will include, for example, independent valuation of identifiable intangible assets.

Accordingly, there can be no assurance that the financial performance and/or position of Verticon Group as disclosed in this Prospectus would not be significantly different if determined in accordance with A-IFRS.

» SECTION EIGHT RISK FACTORS

RISK FACTORS

An investment in Verticon Group has a degree of risk. In addition to the other information contained in this Prospectus, the following general risks and risks specific to the Company may affect the future operating and financial performance of Verticon Group and the value of an investment in it. There can be no guarantee that Verticon Group will achieve its stated objectives or that any forward-looking statements or forecasts may eventuate. You should carefully consider the following risk factors, as well as the other information contained in this Prospectus, before you make an investment decision.

8.1 GENERAL RISKS

(1) Share price variations
The Shares are to be quoted on ASX, where their price may rise or fall in relation to the Offer Price. The Shares offered under this Prospectus carry no guarantee in respect of profitability, dividends, return of capital or the price at which they may trade on ASX. The value of the Shares will be determined by the share market and will be subject to a range of factors beyond the control of the Company and the Directors. Share market fluctuations in Australia and other stock markets around the world may negatively affect the value of the Shares. Factors that may influence the investment climate in stocks, which may not relate to actual performance of Verticon Group, include general economic outlook, changes in government fiscal, monetary and regulatory policies, movements in commodity prices, exchange rate movements, interest rates, inflation and political developments.

(2) Economic factors
Both Australian and world economic conditions may negatively affect Verticon Group's performance. Any protracted slow down in economic conditions or factors such as the level of production in the relevant economy, inflation, currency fluctuation, interest rates, supply and demand and industrial disruption may have a negative impact on Verticon Group's costs and revenue. These changes could adversely affect Verticon Group's operating and financial performance.

8.2 RISKS SPECIFIC TO AN INVESTMENT IN THE COMPANY

In addition to the general market risks noted in Section 8.1, investors should be aware of the risks specified with respect to investment in the Company. The major risks are described below.

(1) Acquisition completion
The Company's strategy is dependent on the successful completion of the Acquisitions. The Company expects the Acquisitions to be successfully completed, and there is no present indication that they will not be. A failure to complete either of the Acquisitions would materially affect the Company's prospects.

(2) Competition
Increased competition could result in price reductions, under utilisation of equipment and personnel, reduced operating margins and loss of market share. Despite the Company's demonstrated ability to compete effectively in the markets in which it operates any of these occurrences could adversely affect the Company's financial performance.

(3) Personnel
The Company is reliant on a number of key personnel and its highly trained workforce. While every effort is made to retain these persons, and to recruit and train new personnel as the need arises, there can be no assurance given as to their continued availability. The Company has entered into executive employment agreements with key management and operational personnel, as summarised in Section 10.4(8).

(4) Construction industry downturn
Verticon Group's financial performance is sensitive to the level of activity within the construction industry. The level of activity in the construction industry can be cyclical and sensitive to a number of factors beyond the control of the Company.

(5) Industrial action
The Company operates within a highly unionised industry. While the Company maintains good ongoing relationships with relevant unions, its financial performance could suffer from an ongoing industrial dispute.

(6) Safety
The provision of tower crane hire services is subject to safety-related risk. While the Company has extensive systems to guard against accidents, a serious accident could have long term financial implications for the Company.

(7) Environment
The Company's operations are subject to State and Commonwealth environmental legislation. While the Company will monitor environmental issues and will ensure that it has environmental management procedures in place, there can be no assurance that the Company's operations will not be affected by an environmental incident or that it will not be subject to environmental liabilities.

RISK FACTORS

(8) Growth Management
The Company proposes to acquire 2 businesses and its continued financial success is dependent upon the successful integration of these businesses into the Company, and effective management and execution of its growth strategies.

(9) Liability for defective work
A provision of services by Verticon Group carries with it a risk of liability for losses arising from defective work including indirect or consequential losses suffered by third parties. The Company is able to decrease its exposure to liability contractually and will maintain adequate levels of professional indemnity insurance, however this will not protect the Company from all claims that could be made against the Company.

(10) Operational and utilisation
Effective utilisation of the Company's tower crane fleet is important to the Company's financial performance. If a large number of cranes in the Company's fleet were under-utilised, for example by delays in commencement of new projects, or were unable to operate at any one time, there could be a significant financial impact on the Company.

(11) Key client relationship breakdown
The Company relies upon personal relationships with a number of clients within the construction industry in order to maintain and grow its market share. The deterioration of key relationships could result in significant financial implications for the Company.

(12) Insourcing
In recent times, construction companies have tended to outsource crane hire services. If construction companies reverted to in-house services, this could result in significant financial implications for the Company.

(13) Additional capital requirements
There is no assurance that additional capital funding over and above that secured by the Offer will be available to Verticon Group in the future or be secured on acceptable terms. If such additional capital funding cannot be obtained, this could affect the Company's growth.

(14) Investment returns
The Shares offered pursuant to this Prospectus carry no guarantee with respect to return of capital or the price at which the Shares will trade on ASX.
If you are in any doubt whether you should invest in Verticon Group you should seek advice from your stockbroker, accountant, financial planner or other professional adviser.

(15) International accounting standards
Australian equivalents to International Financial Reporting Standards (A-IFRS) will be applicable for all entities reporting under the Corporations Act for financial years commencing on or after 1 January 2005. This will mean that Verticon Group will be required to report under A-IFRS for FY06.

As the A-IFRS requirements are not yet mandatory, the pro forma financial information contained in Section 7 of this Prospectus has been prepared under existing Australian reporting requirements.

If A-IFRS had been used in the preparation and presentation of the pro forma financial information presented in this Prospectus, that financial information would likely differ. Such differences could include reclassification or changes in the basis of measurement and recognition of profit and loss and balance sheet components. The most significant items have been described in Section 7.12. The impact of A-IFRS on the ongoing reported results of Verticon Group will only be able to be accurately assessed once all applicable standards have been released. However there is a risk that any reclassification could be misinterpreted by investors and that this could have an impact on the Verticon Group Share price.

Following the removal of systematic amortisation of goodwill under A-IFRS, increased emphasis will be placed on the ability of individual cash generating units to support goodwill carrying values. In the event that an individual operating unit significantly fails to meet its expected performance, a non-cash impairment loss may arise which may restrict or limit the Company's ability to declare and pay dividends.

(16) New projects
The Company's inability to continue to secure new projects at historical success rates could affect earnings during and beyond the forecast period.

(17) Additional risks
Verticon Group's actual results may be different from those contained in the forecast financial information included in this Prospectus.

» SECTION NINE INVESTIGATING ACCOUNTANT'S REPORT

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers Securities Ltd
ACN 003 311 617
ABN 54 003 311 617
Holder of Australian Financial Services Licence No 244572

Waterfront Place
1 Eagle Street
BRISBANE QLD 4000
GPO Box 150
BRISBANE QLD 4001
DX 77 Brisbane
Australia
www.pwc.com/au
Telephone +61 7 3257 5000

The Directors
Verticon Group Limited
Level 4
580 St Kilda Road
Melbourne VIC 3004

16 November 2004

Subject: Investigating Accountant's Report on Historical and Forecast Financial Information

Dear Sirs

We have prepared this report on historical and forecast financial information of Verticon Group Limited (Verticon Group) for inclusion in a Prospectus dated on or about 16 November 2004 (the Prospectus) relating to the issue of 41,666,667 ordinary shares in Verticon Group.

Expressions defined in the Prospectus have the same meaning in this report.

The nature of this Report is such that it should be given by an entity which holds an Australian Financial Services licence under the Corporations Act 2001 (Cwlth). PricewaterhouseCoopers Securities Ltd is wholly owned by PricewaterhouseCoopers and holds the appropriate Australian Financial Services licence.

Background

Verticon Group is seeking to use the funds raised through the IPO to purchase the Seca crane hire business ("Seca") and the Econ crane hire business ("Econ") as defined in Section 11 of the Prospectus. Each of these businesses has historically been conducted through a number of different legal entities. To reflect the operations of Verticon Group going forward, the pro forma historical financial information set out in Section 7 - Financial Information of this report includes the Acquisitions as described in that section.

The historical unaudited results to EBITDA of Seca for the year ended 30 June 2003 (FY 03) and the unaudited historical results to EBITDA of Econ for the year ended 30 June 2004 (FY 04) have been subject to review. The historical results to EBITDA for Seca for FY 04 have been audited.

PRICEWATERHOUSECOOPERS

The Directors
Verticon Group Limited

Scope

You have requested PricewaterhouseCoopers Securities Ltd to prepare an Investigating Accountant's Report (the Report) covering the following information:

Pro Forma Historical Financial Information

(a) the pro forma historical financial performance of Verticon Group for FY 03 including the results of the Seca acquisition assuming Seca was owned by Verticon Group throughout FY 03

(b) the pro forma historical financial performance of Verticon Group for FY 04 including the results of the Acquisitions assuming both Seca and Econ were owned by Verticon Group throughout FY 04

(c) the pro forma statement of financial position of Verticon Group as at 30 June 2004 adjusted for the impact of the Acquisitions and the Offer (the pro forma transactions) assuming they occurred on 30 June 2004 and that Verticon Group had been incorporated at that date.

(collectively, the Pro Forma Historical Financial Information).

Pro Forma Forecast Financial information

(d) pro forma forecast financial performance and cash flows of Verticon Group for the year ending 30 June 2005 (FY 05) including the results of the Acquisitions assuming they were both owned by Verticon Group throughout the year ("Pro Forma Financial Forecast"); and

(e) pro forma forecast financial performance and cash flows for FY05 including the results of the Acquisitions from the assumed completion date of 20 December 2004 to 30 June 2005. ("Statutory Financial Forecast").

(collectively the "Pro Forma Forecast Financial Information")

This Report has been prepared for inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this Report or on the Pro Forma Historical Financial Information or the Pro Forma Forecast Financial Information to which it relates for any purposes other than for which it was prepared.

(2)

PRICEWATERHOUSECOOPERS

The Directors
Verticon Group Limited

Scope of review of Pro Forma Historical Financial Information

The Pro Forma Historical Financial Information set out in Financial Section of the Prospectus has been based on:

- the audited special purpose financial statements of Seca for FY 04 and
- the reviewed accounts of Econ for FY 04; and
- the reviewed accounts of Seca for FY 03.

The special purpose financial statements of Seca for FY 04 were audited by PricewaterhouseCoopers who issued an unqualified audit opinion on the financial results to EBITDA as included in the Pro Forma Historical Financial Information. The Pro Forma Historical Financial Information incorporates such adjustments as the Directors considered necessary to reflect the operations of Verticon Group going forward. The Directors are responsible for the preparation of the Pro Forma Historical Financial Information, including determination of the adjustments.

We have conducted our review of the Pro Forma Historical Financial Information in accordance with Australian Auditing Standard AUS 902 "Review of Financial Reports". We made such inquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances including:

- an analytical review of the pro forma financial performance of Verticon Group for FY 04
- an analytical review of the pro forma financial performance of Verticon Group for FY 03
- a review of work papers, accounting records and other documents
- a review of the adjustments made to the historical financial performance
- a review of the assumptions used to compile the pro forma statement of financial position ("the Pro Forma Transactions")
- a comparison of consistency in application of the recognition and measurement principles in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by Verticon Group disclosed in Section 7 - Financial Information of the Prospectus, and
- enquiry of directors, management and others.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

(3)

PRICEWATERHOUSECOOPERS

The Directors
Verticon Group Limited

Review statement on Pro Forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that:

- the pro forma statement of financial position has not been properly prepared on the basis of the pro forma transactions described in Section 7.8
- the pro forma transactions do not form a reasonable basis for the pro forma statement of financial position
- the Pro Forma Historical Financial Information, as set out in Section 7 of the Prospectus does not present fairly:

  (e) the pro forma historical financial performance of Verticon Group for FY 03 (incorporating results of Seca only) and FY 04; and
  (f) the pro forma statement of financial position of Verticon Group as at 30 June 2004

in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia, and accounting policies adopted by Verticon Group disclosed in Section 7.11 of the Prospectus.

Scope of review of Pro Forma Forecast Financial Information

The Directors are responsible for the preparation and presentation of the Pro Forma Financial Forecast and the Statutory Financial Forecast, including the best estimate assumptions on which they are based.

Our review of the best estimate assumptions underlying the Pro Forma Forecast Financial Information was conducted in accordance with Australian Auditing Standard AUS 902 "Review of Financial Reports". Our procedures consisted primarily of enquiry and comparison and other such analytical review procedures we considered necessary so as to adequately evaluate whether the best estimate assumptions provide a reasonable basis for the Pro Forma Forecast Financial Information. These procedures included discussion with the Directors and management of Verticon Group and have been undertaken to form an opinion whether anything has come to our attention which causes us to believe that the best estimate assumptions do not provide a reasonable basis for the preparation of the Pro Forma Forecast Financial Information and whether, in all material respects, the Pro Forma Forecast Financial Information is properly prepared on the basis of the assumptions and is presented fairly in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in

(4)

PRICEWATERHOUSECOOPERS

The Directors
Verticon Group Limited

Australia, and the accounting policies of Verticon Group disclosed in Section 7.11 of the Prospectus so as to present a view of Verticon Group which is consistent with our understanding of Verticon Group's past, current and future operations.

The Pro Forma Financial Forecast and the Statutory Financial Forecast have been prepared by the Directors to provide investors with a guide to Verticon Group's potential future financial performance based upon the achievement of certain economic, operating, development and trading assumptions about future events and actions that have not yet occurred and may not necessarily occur. There is a considerable degree of subjective judgement involved in the preparation of the Pro Forma Forecast Financial Information. Actual results may vary from the Pro Forma Financial Forecast and the Statutory Financial Forecast and the variation may be materially positive or negative. Accordingly, investors should have regard to the investment risks set out in Section 8 of the Prospectus.

Our review of the Pro Forma Forecast Financial Information that is based on best estimate assumptions is substantially less in scope than an audit examination conducted in accordance with Australian Auditing and Assurance Standards. A review of this nature provides less assurance than an audit. We have not performed an audit and we do not express an audit opinion on the Pro Forma Forecast Financial Information included in the Prospectus.

Review statement on the Pro Forma Forecast Financial Information

Based on our review of the Pro Forma Forecast Financial Information, which is not an audit, and based on an investigation of the reasonableness of the best estimate assumptions giving rise to the Pro Forma Forecast Financial Information, nothing has come to our attention which causes us to believe that:

(a) the best estimate assumptions set out in Section 7.6 of the Prospectus do not provide a reasonable basis for the preparation of the Pro Forma Forecast Financial Information, and

(b) the Pro Forma Financial Forecast and the Statutory Financial Forecast are not properly prepared on the basis of the best estimate assumptions and presented fairly in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by Verticon Group disclosed in Section 7.11 of the Prospectus

(c) the Pro Forma Financial Forecast and the Statutory Financial Forecast are unreasonable.

(5)

PRICEWATERHOUSECOOPERS

The Directors
Verticon Group Limited

The underlying assumptions are subject to significant uncertainties and contingencies often outside the control of Verticon Group. If events do not occur as assumed, actual results and distributions achieved by Verticon Group may vary significantly from the Pro Forma Forecast Financial Information. Accordingly, we do not confirm or guarantee the achievement of the Pro Forma Financial Forecast and the Statutory Financial Forecast, as future events, by their very nature, are not capable of independent substantiation.

Subsequent events

Apart from the matters dealt with in this Report, and having regard to the scope of our Report, to the best of our knowledge and belief no material transactions or events outside of the ordinary business of Verticon Group have come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

Independence or Disclosure of Interest

PricewaterhouseCoopers Securities Ltd does not have any interest in the outcome of this issue other than the preparation of this Report and participation in due diligence procedures for which normal professional fees will be received.

Yours faithfully

Paul Lindstrom

Paul Lindstrom
Authorised Representative of
PricewaterhouseCoopers Securities Ltd

(6)

» SECTION TEN ADDITIONAL INFORMATION

ADDITIONAL INFORMATION

10.1 INCORPORATION

Verticon Group was incorporated in Victoria on 15 October 2004.

10.2 RIGHTS ATTACHING TO SHARES

The rights attaching to Shares are detailed in the Constitution of Verticon Group which may be inspected during normal business hours at the registered office of the Company. The following is a summary of the material provisions of the Constitution and the privileges and restrictions attaching to Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders.

(1) Voting

Subject to any restriction on voting imposed by the ASX Listing Rules or any escrow agreement entered into between Verticon Group and a Shareholder, every Shareholder present in person or by proxy, attorney or representative at a meeting of Shareholders has 1 vote on a show of hands and 1 vote on a poll for every Share held. A poll may be demanded by the chairperson of the meeting, any 5 Shareholders (or their proxy, attorney or representative) entitled to vote on the resolution, a Shareholder or Shareholders who together hold at least 5% of the votes that may be cast on the resolution on a poll, or who together hold voting shares paid up to a value of not less than 5% of the total sum paid up on all voting shares.

(2) General Meetings

Each Shareholder is entitled to receive at least 28 days' notice of and to attend general meetings of Verticon Group and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act or the ASX Listing Rules.

(3) Dividends

Dividends are payable out of Verticon Group's profits and are declared by the Directors or by Verticon Group in general meeting but only if the Directors have recommended a dividend. Dividends declared will (subject to any special rights or restrictions attaching to a class of shares created under any arrangement as to dividend) be payable on Shares in accordance with the Corporations Act.

(4) Transfer of Shares

A Shareholder may transfer Shares by a proper transfer effected in accordance with any computerised or electronic system established or recognised by ASX or the Corporations Act for the purpose of facilitating transfers in Shares or by an instrument in writing in a form approved by ASX or in any other usual form or in any form approved by the Directors. The Directors may refuse to register a transfer of Shares where the refusal to register the transfer is permitted under the Constitution, the ASX Listing Rules and the ASTC Business Rules.

(5) Issue of Shares

The Directors may (subject to the restrictions on the issue of Shares imposed by the Constitution of Verticon Group, the ASX Listing Rules and the Corporations Act) issue or grant Options in respect of, or otherwise dispose of, further Shares as the Directors see fit.

(6) Winding Up

Subject to any special or preferential rights attaching to any class or classes of Shares, on a winding up of Verticon Group a liquidator may, with the authority of a special resolution of the Shareholders, divide among the Shareholders in kind the whole or any part of the property of Verticon Group in proportion to the Shares held by them respectively. The liquidator may for that purpose set the value he or she considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders. The liquidator may, with the sanction of a special resolution of the Shareholders, vest the whole or any part of the assets in trust for the benefit of Shareholders as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other securities in respect of which there is any liability.

(7) Shareholder Liability

Shares are not subject to any call for money by the Directors and will therefore not become liable for forfeiture.

(8) Alteration to the Constitution

The Constitution can only be amended by a special resolution passed by at least three quarters of the Shareholders present and voting at a general meeting. At least 28 days' written notice specifying the intention to propose the resolution as a special resolution must be given.

(9) ASX Listing Rules

On admission to the Official List, notwithstanding anything in the Constitution, if the ASX Listing Rules prohibit an act being done, the act must not be done. If the ASX Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done, and if a provision is required in the Constitution by the ASX Listing Rules the Constitution will be treated as containing that provision. If any provision of the Constitution becomes inconsistent with the ASX Listing Rules, the Constitution will be treated as not containing that provision to the extent of the inconsistency.

(10) Directors

The number of Directors of Verticon Group is to be not less than 3 but no more than 9. Verticon Group in general meeting may by resolution increase or reduce the number of Directors but the number must not be reduced below 3.

ADDITIONAL INFORMATION

The Directors are entitled to be remunerated for their services as Directors and the total amount or value of the remuneration must not exceed the amount per annum determined by the Company at general meeting from time to time (which amount is currently fixed at $400,000 per annum). This amount does not include the remuneration payable to the Managing Director or any Executive Director.

The Company may remunerate a Director in addition to the above amount (as determined by the Directors) if the Director performs additional or special duties for the Company at the request of the Directors.

A share qualification for Directors may be fixed by the Company in general meeting. Unless and until so fixed a Director is not required to hold any Share in the Company.

(11) Directors' Indemnity

To the extent permitted by law, each Director and officer of Verticon Group is entitled to be indemnified out of the property of Verticon Group for every liability incurred by the person in that capacity and all legal costs incurred in connection with proceedings in which the person becomes involved because of that capacity.

10.3 OPTIONS ON ISSUE

There are no options over securities of the Company on issue. A proposed issue of options to the Managing Director is discussed in Section 10.5(3)(a) below.

10.4 SUMMARY OF MATERIAL CONTRACTS

Various contracts entered into by Verticon Group may be material to the Offer or the operation of the business of Verticon Group.

The Directors consider the material contracts summarised below are significant or material to the Company (Material Contracts).

The main provisions of the Material Contracts are summarised in this Section 10.4. Each Material Contract appears in summary form only and is not fully described. Some items may be defined in the Material Contracts but not defined in this Prospectus.

(1) Underwriting Agreement

Fees

(a) The Underwriter will receive the following fees:

(i) an underwriting fee of $2.5 million (5% of the amount sought to be raised under the Offer); and

(ii) a management fee of $250,000.

(b) The Underwriter will also be reimbursed for all of the costs, professional fees, and other expenses it incurs in relation to the Offer.

(c) All of the fees, costs, and expenses mentioned above are exclusive of GST.

Representations, warranties, undertakings

(d) The Company makes certain representations and warranties to the Underwriter including (without being exhaustive) that:

(i) there are no breaches of other material agreements;

(ii) the Prospectus:

(A) complies with the Corporations Act, the Listing Rules, and all other laws of Victoria and the Commonwealth of Australia relevant to the Offer; and

(B) is not misleading or deceptive or likely to mislead or deceive in a material respect and the issue of it does not involve conduct that is, in a material respect, misleading or deceptive or likely to be so;

(iii) the Company has:

(A) provided true, complete and accurate information in all material respects to the Underwriter in connection with the Offer Documents, which information is not materially misleading or deceptive in any way;

(B) made available to the Underwriter all material information about the Offer; and

(iv) an appropriately qualified person has verified all the statements contained in the Prospectus, the Company has given the results of that verification to the Underwriter, and the documents evidencing that verification have been safely retained by the Company.

(e) The Company also undertakes to the Underwriter to (without being exhaustive):

(i) give notice to the Underwriter of any material breach of the Underwriting Agreement, and any event which might give the Underwriter the right to terminate its obligations under the Underwriting Agreement;

(ii) continue to make enquiries that are reasonable in the circumstances to maintain its belief that there is no material misleading or deceptive statement in the Prospectus or omission from the Prospectus of material required by the Corporations Act;

(iii) immediately inform the Underwriter if at any time before the Allotment Date (defined in the Underwriting Agreement as 16 December 2004 or such other date as the parties agree) the Company becomes aware of:

(A) a misleading or deceptive statement in the Prospectus;

(B) an omission from the Prospectus of information required by section 710 or 711 of the Corporations Act; or

(C) a new circumstance that has arisen since the Prospectus was lodged that would have been required by section 710 or 711 of the Corporations Act to be included in the Prospectus if it had arisen before the Prospectus was lodged,

ADDITIONAL INFORMATION

that is materially adverse from the point of view of an investor, and lodge with ASIC a supplementary or replacement prospectus (in a form reasonably approved in writing by the Underwriter) in respect of that misstatement, omission, change or new circumstance as soon as practicable afterwards, and otherwise comply with the Corporations Act, and following lodgement of any supplementary or replacement prospectus, the Company must immediately take all action in respect of the supplementary or replacement prospectus as may be reasonably required by the Underwriter;

(iv) except as contemplated by the Prospectus, ensure that the Company does not agree to dispose of the whole or a significant part of its assets, change its share capital, or issue or agree to issue any shares, options or other securities (except as referred to in this Prospectus) prior to 3 months after the Allotment Date without the prior written consent of the Underwriter (which must not be unreasonably withheld).

Termination

(f) The Underwriter may terminate the Underwriting Agreement without incurring any liability if:

(i) any person other than the Underwriter whose consent is necessary for the issue of the Prospectus withdraws that consent;

(ii) the Underwriter becomes aware of any information in the Prospectus which is untrue, incorrect or misleading in a material way or there is a material omission from the Prospectus, and that information or omission in the reasonable opinion of the Underwriter has or is likely to have a material adverse effect on the Offer;

(iii) the Company informs the Underwriter of any deficiency or new circumstance which is materially adverse from the point of view of an investor;

(iv) the Company is in default of any of the obligations under the Underwriting Agreement or breaches any of its warranties, representation or undertakings, and the default or breach in the reasonable opinion of the Underwriter is or is likely to have a material adverse effect on the Offer;

(v) a material and adverse change occurs in the financial position of the Company or a Subsidiary which is in the reasonable opinion of the Underwriter has or is likely to have a material adverse effect on the Offer;

(vi) the Company contravenes any law or other regulatory requirement, its Constitution, the Listing Rules, any Encumbrance, or any other document which is binding on it, a Subsidiary, or the assets of any of them, and the contravention or breach in the reasonable opinion of the Underwriter has a material adverse effect on the Offer;

(vii) ASX Approval has not been given by the Closing Date or within 3 months after the date of the Prospectus (whichever is earlier) or ASX refuses or withdraws ASX Approval;

(viii) an Insolvency Event occurs in relation to the Company or a Subsidiary;

(ix) either of the All Ordinaries Index or the S&P/ASX Small Ordinaries Index is 10% or more below its level as at the close of trading immediately preceding the date of the Underwriting Agreement;

(x) an outbreak of new hostilities or a state of war, whether declared or not, arises after the date of the Underwriting Agreement, or an escalation of hostilities already in existence (other than in respect of Iraq) occurs, involving Australia, Japan, any member country of the European Community, the United States of America, any of the member states of the former Union of Soviet Socialist Republics, Indonesia, People's Republic of China, New Zealand, Hong Kong, Taiwan, Singapore, or Malaysia, which in the reasonable opinion of the Underwriter has or is likely to have a material adverse effect on the Offer; or

(xi) a director of the Company or a Subsidiary is convicted of a criminal offence or becomes a bankrupt which in the reasonable opinion of the Underwriter has or is likely to have a material adverse effect on the Offer.

Indemnities

(g) Subject to wilful misconduct and negligence of the Underwriter, the Company indemnifies the Underwriter and certain persons affiliated with it from losses suffered in connection with the Offer.

Other provisions

(h) The Underwriting Agreement also contains additional usual contractual provisions that would be expected to be found in an underwriting agreement in like circumstances.

As disclosed in Section 10.11, Bell Potter will have a relevant interest in 14,583,333 Shares (the Shares held by the Existing Shareholder). Bell Potter may acquire relevant interests in its capacity as Underwriter of the Offer. This will not affect Bell Potter's voting power in the Company except to the extent it acquires Shares pursuant to its underwriting obligations.

ADDITIONAL INFORMATION

(2) Seca Business Acquisition Agreement

The Company as purchaser entered into an agreement with S.E.C.A. Pty Ltd ACN 010 372 924, SECA Cranes Pty Ltd ACN 010 929 665, Sumner Rigging Pty Ltd ACN 107 375 815, SECA Crane Hire Pty Ltd ACN 011 071 800, SECA Cranes and Rigging Pty Ltd ACN 068 918 552, Western Rigging Pty Ltd ACN 107 375 842, SECA Leasing Pty Ltd ACN 082 885 292, SECA Crane Hire Services Pty Ltd ACN 082 885 327, City Rigging Pty Ltd ACN 107 375 780 and Acrin Pty Ltd ACN 002 581 035 (Vendors) and Denis Maxwell Tomasel, Marco Pagliari, Steven James Gunn and Ricky Bruno Tomasel (Seca Directors) on 25 October 2004 (Seca Agreement).

The Seca Agreement governs the Company's purchase of the crane business of the Vendors in Queensland as a going concern for the purposes of GST. In consideration for the transfer of business, the Company must pay the Vendors the purchase price of $37,086,000 (Purchase Price), subject to the adjustments to be made at completion. The Company must also pay sign-on fees totalling $1 million to two of the Seca principals, Denis Tomasel and Steven Gunn.

The Purchase Price will be increased if the Vendors have purchased additional plant and equipment prior to the completion date and that plant and equipment is to be sold to the Company at completion. The Purchase Price will be reduced to take into account decreases in spare parts, the value of any assets disposed of prior to completion, annual leave, long service leave, accrued rostered days off, contingent redundancy entitlements discounted by 75% in respect of employees who are not members of the Building Employees Redundancy Trust and adjusted in respect of sick leave entitlements in relation to employees of the Vendors who accept employment with the Company, less tax of 30% payable on those entitlements. The Purchase Price will be paid in cash and no shares in the Company will be issued to the Vendors under the terms of the Seca Agreement.

The Company proposes to issue 416,667 free Shares to Elessar Holdings Pty Ltd, a company associated with Mr Sanjay Chotai, a professional adviser of the Vendors on the completion of the Seca Agreement. These Shares have an implied value of $500,000 at the Offer Price.

Completion of the Seca Agreement is currently scheduled for 20 December 2004, and is conditional upon certain conditions being satisfied, including the Company receiving the proceeds of the Offer, and

» The Vendors and the Company entering into contracts in relation to the purchase by the Company of the freehold properties owned by the Vendors (Land Contracts). These Land Contracts are summarised below:
  – Property: 15 Neon Street, Sumner Park, Queensland, Lot 148 RP 140856 Title Reference 15399199

    Vendor: Seca Pty Ltd

    Consideration: $329,000.00 (included as part of Purchase Price).
  – Property: 27 Wolston Road, Sumner Park, Queensland, Lot 23 SP 126976 Title Reference 50323367

    Vendor: Seca Leasing Pty Ltd

    Consideration: $844,000.00 (included as part of Purchase Price)
» The Company obtaining consents to the assignment of the material contracts that are substantially necessary for the continued operation of the business in the ordinary course.
» The key employees, as set out below, entering contracts of employment with the Vendors on terms as set out in the Seca Agreement and the executive service agreements to be entered into by those key employees.

If the conditions are not fulfilled or waived by the Company by 23 December 2004, the Company may rescind the Seca Agreement without penalty.

The Vendors are under the usual obligations for a transaction of this nature in relation to conducting the business prior to completion.

The Vendors and Seca Directors have provided extensive warranties in relation to all aspects of the business. There is no maximum aggregate liability as a result of any breach of a warranty and no time period within which the Company is required to bring any claim for breach of warranty.

The Vendors and each of the Seca Directors have provided restraints of trade to a maximum of 10 years and a minimum of 2 years, depending on enforceability, with the exception of Marco Pagliari whose period of restraint is limited to a maximum of 5 years after completion of the Seca Agreement.

The Seca Agreement provides for the transfer of employees of the Vendors that are willing to be employed by the Company on terms and conditions no less favourable than their existing terms of employment.

Denis Tomasel and Steven Gunn are all to be employed for a period of 5 years, comprising 2 years full time, 1 year transition to part time over the course of the year and 2 years part time. Paul McDougall, David Vincenzino, Russell Watts and Ricky Tomasel are also key employees that will be employed by the Company after completion.

The Seca Agreement may be terminated by the Vendors or the Company if completion has not occurred on or before 28 February 2005. In addition, the Company may terminate the Seca Agreement if a Land Contract terminates for any reason or any of the business premises are damaged or destroyed or any item of equipment is lost or damaged which would render the business substantially incapable of being conducted for a period in excess of 21 days.

ADDITIONAL INFORMATION

If a material contract has not been novated or effectively assigned to the Company at completion, the Company must pay, perform and discharge all of the obligations of the Vendors under the contract and the Vendors must account to the Company for all the proceeds and benefits arising from the contract and must enforce their rights under a particular contract at the request of the Company and for the benefit of the Company.

The Company has instructed a qualified consultant to conduct a preliminary environmental review and will instruct the qualified consultant to conduct a base line land contamination report in respect of the premises from which the Vendors conduct their business (Environmental Reports). If the Environmental Reports disclose a level of contamination of any of the business premises, the Vendors will be responsible for remediating the soil to a standard approved by the Environmental Protection Agency for ongoing use as industrial premises. If the estimated costs of the remediation work exceeds 10% of the value of the contaminated premises (as specified in the Seca Agreement), the Vendors may elect to either proceed with the remediation works at their expense or withdraw the relevant premises from the assets to be sold. If the premises are withdrawn then the Purchase Price will be reduced by the value of those premises.

The Vendors and the Seca Directors jointly and severally indemnify the Company against all liabilities arising directly or indirectly as a result of or in connection with any breach of the warranties or obligations of the Vendors or the Seca Directors.

The Company indemnifies the Vendors against all liabilities and costs arising directly or indirectly as a result of or in connection with any breach or non-performance by the Company of its obligations under the Seca Agreement.

The Seca Agreement also provides for expert determination in the event of any dispute under the Seca Agreement.

(3) Econ Business Acquisition Agreement

A sale of business agreement was entered into by Econ Construction Equipment (Australia) Pty Ltd ACN 006 405 956, Econ D & G WA Pty Ltd ACN 089 860 971, Tedcon Machinery Pty Ltd ACN 091 434 481 (Vendors), Verticon Group Ltd ACN 111 398 040 (Company) and Charles Abela (Econ Director) on 11 November 2004 (Econ Agreement).

The Econ Agreement governs the following 2 transactions:

(a) The Company purchases the crane businesses of the Vendors (including all assets) as a going concern for the purposes of GST. The consideration payable is $7,235,908.00 (Purchase Price) subject to the adjustments to be made at completion. The Purchase Price:

(i) will be increased if the Vendors have purchased additional plant and equipment prior to the completion date and that plant and equipment is to be transferred to the Company;

(ii) will be reduced to take into account spare parts, the value of any assets disposed of prior to completion, annual leave, long service leave, accrued rostered days off, 75% of contingent redundancy entitlements and sick leave entitlements in relation to employees of the Vendors who accept employment with the Company, less tax of 30% payable on those entitlements; and

(iii) will be comprised of:

   (A) $1,800,000 in Shares calculated at the Offer Price per Share as set out in this Prospectus with the balance in cash; or

   (B) cash entirely if the Offer does not proceed.

(b) The grant by the Econ Director to the Company of an option (Option) for the purchase of not less than 50% of the shares in Asia-ted Pte Ltd Reg No. 19960736G, a company registered in Singapore. The major terms of the Option are:

(i) The Company can exercise or not exercise the Option in its sole discretion.

(ii) The consideration payable by the Company to the Econ Director for the Option is $10,000.00.

(iii) The consideration payable by the Company if it exercises the Option is $300,000.00, less the $10,000.00 already paid.

(iv) The Option expires on 30 June 2005.

(v) The Option may be transferred by the Company only with the written consent of the Econ Director.

Completion of the Econ Agreement is scheduled for 20 December 2004, and is conditional upon certain conditions being satisfied, including the Company receiving the proceeds of the Offer;

- The Company entering into a new lease for the premises at 162B Northbourne Road, Campbellfield, from which the Businesses are conducted.
- The Company completing the acquisition of Seca.
- The Company obtaining consents to the assignment of the material contracts that are substantially necessary for the continued operation of the business in the ordinary course.
- The key employees entering contracts of employment with the Vendors on terms specified with the Company: Charles Abela is to be employed for a minimum period of 5 years. Joseph Abela and Victor Abela are also key employees.
- The Company securing the right to hire trucks from FTW Transport for a period of at least 2 years.

ADDITIONAL INFORMATION

If the conditions are not fulfilled or waived by the Company by 23 December 2004, the Company may rescind the Econ Agreements without penalty.

The Vendors are under the usual obligations for a transaction of this nature in relation to conducting the business prior to completion.

The Vendors and Econ Director have provided extensive warranties in relation to all aspects of the business. There is no maximum aggregate liability as a result of any breach of a warranty provided by the Vendors.

The Vendors have provided restraints of trade:

(1) to a maximum of 10 years and a minimum of 2 years; and

(2) within the areas of Australia and South East Asia and any state or territory in Australia or any country in South East Asia.

The Econ Agreement provides for the transfer of employees of the Vendors that are willing to be employed by the Company on terms and conditions no less favourable in their existing terms of employment.

The Econ Agreement may be terminated by the Vendors or the Company if completion has not occurred on or before 28 February 2005.

If a material contract has not been novated or effectively assigned to the Company at completion, the Company must pay, perform and discharge all of the obligations of the Vendors under the contract and the Vendors must account to the Company for all the proceeds and benefits arising from the contract and must enforce their rights under a particular contract at the request of the Company and for the benefit of Company.

The Vendors and the Econ Director jointly and severally indemnify the Company against all liabilities arising directly or indirectly as a result of or in connection with any breach of the warranties or obligations of the Vendors or the Directors. The Company must make a claim within 2 years of the Completion Date in respect of a breach of a warranty, other than a breach of warranty relating to the ownership, operation and status of the plant and equipment, in which case the Company must make a claim for beach of warranty within 5 years of the Completion Date.

The Company indemnifies the Vendors against all liabilities and costs arising directly or indirectly as a result of or in connection with any breach or non-performance by the Company of its obligations under the Econ Agreement. There is no maximum aggregate liability as a result of any breach of a warranty.

The Econ Agreement also provides for expert determination in the event of any dispute under the Econ Agreement.

(4) Westpac Facilities

Westpac Banking Corporation Limited (**Westpac**) has provided the Company with a terms sheet for the provision of a working capital facility. The terms sheet contemplates the provision of a come-and-go overdraft facility to the Company of up to $6 million, secured by a fixed and floating charge over the Company's assets, together with a second facility for capital expenditure funding with a limit of $6 million also secured by a fixed and floating charge over the Company's assets.

While the Company has not yet formally entered into the facilities with Westpac, the Directors are confident that:

» a formal agreement will be executed prior to the Listing Date; and

» even if the Company decides not to enter into the overdraft facility with Westpac, there are alternative sources of working capital available to the Company.

(5) Services and Funding Agreement

The Existing Shareholder has agreed to provide or procure the provision of certain administrative and financial services to the Company until the Company has established its own service structure. Additionally, the Existing Shareholder has agreed to provide funding to meet transaction costs incurred by the Company during the IPO process, including the fees of the advisers summarised in Section 10.11. The Existing Shareholder has agreed to do so pursuant to the Services and Funding Agreement on the basis that it will be reimbursed for the provision of funding and services out of the proceeds of the Offer.

(6) Econ Crane Acquisition Agreements

Econ has entered into a contract for the acquisition of a Comedil electric tower crane (new) CTT 561-20 ton with 85m jib. Econ has also obtained a quotation to purchase a Comedil electric tower crane (new) CTL 400-24 24,000 kg with 60m jib.

The total purchase price for these cranes is slightly in excess of $2 million.

Verticon Group intends to take over these arrangements, and believes that the acquisitions will add substantial capability to the Econ business. The cranes are likely to be delivered early in calendar 2005. The Company has adequate financing to acquire the cranes and believes that there is adequate business available to ensure appropriate levels of utilisation for them.

(7) Maintenance Agreement

Econ has informal arrangements in place with associates of the Vendors to service and refurbish cranes. These services are supplied at premises owned by the associates at Brooklyn, Victoria.

ADDITIONAL INFORMATION

Verticon Group proposes to continue these arrangements. They will be formalised in an agreement under which the services are provided on arm's length terms. It is expected that this formal agreement will be entered into shortly prior to or soon after completion of the Econ Agreement.

(8) Executive Employment Agreements

The Company has or will have following the completion of the Seca and Econ Acquisitions the following key executives;

- Mark Kevin – Managing Director
- Denis Tomasel – Chief Executive Seca
- Steven Gunn – Field Manager Seca
- David Vincenzino – Chief Operating Officer Seca
- Paul McDougall – Operations Manager Seca
- Charles Abela – Chief Executive Econ.

The key executives have entered or will enter into Executive Employment Agreements on the following basis:

- Mark Kevin, David Vincenzino and Paul McDougall will be engaged for a term of 5 years.
- Denis Tomasel and Steven Gunn will be employed on a full time basis for an initial term of 2 years from the date of completion of the Seca Agreement, followed by a transition period of 1 year during which their hours of work will be reduced and they will be required to hand over responsibilities to new personnel. Following this, they will continue to be employed by the Company on a part time basis for a further 2 year consultancy period.
- Charles Abela will enter into an agreement that provides for his employment on a full time basis for a term of 5 years.
- Each of the key employees other than Mark Kevin and Denis Tomasel will receive total remuneration (including salary and superannuation contributions but excluding any incentives, car allowances or bonuses) of between $216,500 and $109,000 (reduced proportionately, in the case of Denis Tomasel and Steven Gunn, during the period of their part time employment). Mark Kevin and Denis Tomasel will be Executive Directors of the Company. Their respective total remuneration (including salary and superannuation contributions but excluding any incentives, car allowances or bonuses) is:
  - Mark Kevin $359,700; and
  - Denis Tomasel $272,500 (reduced proportionately during the period of his part time employment).
- The Company will be entitled to terminate the employment of any of the key executives by giving 6 months written notice. Rights of summary dismissal are preserved.

Denis Tomasel, Steve Gunn and Charles Abela will be subject to a restraint preventing them from competing directly or indirectly with the business of the Company for up to 5 years following the termination or expiry of their employment.

The Company is in the final stages of selecting a Chief Financial Officer. It is proposed that the Company and the new Chief Financial Officer will enter into an executive employment agreement on terms (other than as to remuneration) similar to the agreement with Mark Kevin.

The Company proposes to establish an Executive Incentive Plan under which key employees will be offered shares or cash depending on the achievements of annual targets.

(9) Australian Workplace Agreements and Certified Agreements

The Australian Workplace Agreements and Certified Agreements which apply to the Company are described in Section 3.8.

(10) Real Property: Freehold

The Company will be the registered proprietor of the real property acquired as part of the Land Contracts mentioned in Section 10.4(2).

(11) Real Property: Leases

The Company will be the lessee under the following leases:

(a) 21 Argon Street, Sumner Park, Queensland, Lot 176 RP 207057

The lessors are Denis Tomasel (a Director), Steve Gunn (a senior executive of the Company), and Marco Pagliari. The lease is for a current term of 2 years commencing on completion of the Seca Agreement, with an option for a further 2 years. The current rental is $40,120 per year, with an increase of 2.5% per year. The lease can be terminated early on 6 months notice.

(b) 34 Neon Street, Sumner Park, Queensland, Lot 146 RP 140856

The lessors are Marco Pagliari and Denis Tomasel. The lease is for a current term of 2 years commencing on completion of the Seca Agreement, with an option for a further 2 years. The current rental is $24,890 per year, with an increase of 2.5% per year. The lease can be terminated early on 6 months notice.

(c) 71 Jijaws Street, Sumner Park, Queensland, Lot 5/6 RP 162482

The lessors are Denis Tomasel, Steve Gunn, and Marco Pagliari. The lease is for a current term of 2 years commencing on completion of the Seca Agreement, with an option for a further 2 years. The current rental is $49,090 per year, with an increase of 2.5% per year. The lease can be terminated early on 6 months notice.

ADDITIONAL INFORMATION

(d) 75 Jijaws Street, Summer Park, Queensland, Lot 4 RP162482

The lessors are Denis Tomasel, Steve Gunn, and Marco Pagliari. The lease is for a current term of 2 years commencing on completion of the Seca Agreement, with an option for a further 2 years. The current rental is $90,500 per year, with an increase of 2.5% per year. The lease can be terminated early on 6 months notice.

(e) 162B Northbourne Road, Campbellfield, Victoria

The Company expects to be assigned the lease of these premises pursuant to the Econ Agreement, on completion of the Econ Agreement or (at its election) enter into a new lease with the lessors (Frank & Maria Darmanin). The premises are currently leased by Econ Construction Equipment (Australia) Pty Ltd (a Vendor under the Econ Agreement). The existing lease commenced on 1 January 2002, provides for a 3 year term ending on 31 December 2005 with an option to renew for a further 3 years, and a rental at commencement of $25,129 per year with a CPI increase.

10.5 EMPLOYEE AND EXECUTIVE SHARE AND OPTION PLANS

Verticon Group has adopted the following employee and director incentive plans:

- The Verticon Group Employee Share Plan
- The Verticon Group Executive Share Plan
- The Verticon Group Director/Executive Option Plan

Each of these plans has been approved by the Company in general meeting. The Plans and proposed offers of shares and options under the Plans are described below.

(1) Employee Share Plan

Under this Plan, the Board may offer Shares to any full-time or part-time employee of the Verticon Group in its discretion. Shares issued under the Plan will be fully paid, rank equally with other Shares from the date of issue, and will have the same entitlements as other Shares. However, under the terms upon which Shares are issued, certain dealing restrictions will apply. These are outlined below.

(a) Shares offered at time of Acquisitions

All permanent employees of Verticon Group will be offered Shares under the Employee Share Plan at the time of completion of the Seca Agreement and the Econ Agreement. The Shares offered will be 833 Shares per employee (with an implied value of approximately $1,000 based on the Offer Price of $1.20). Approximately 19,159 Shares will be offered.

Employees will be able to elect that these Shares are issued as "tax paid" so that they can take advantage of the $1,000 concession or the tax deferral concession referred to below.

(b) Shares offered at a later time

The Company may choose to offer additional Shares to employees under the Employee Share Plan. There is no current intention to do so.

(c) Taxation considerations

Employees will make an election as to whether the Shares acquired under the Employee Share Plan will be issued as "tax paid" or "tax deferred".

Shares issued on a "tax paid" basis are designed to comply with the requirements of a particular tax concession available to Australian residents. Under the concession, the first $1,000 of such Shares acquired will be free of tax and the benefit will be tax deductible to the Company. However, for the concession to be available, employees must elect under the Tax Act to pay tax on any Shares issued in excess of $1,000. As no tax will be payable, the Company expects that employees will take advantage of this concession and make the election.

Employees who acquire Shares issued as "tax paid" will not be permitted to deal in the Shares for 3 years and a holding lock will be imposed by the Registry. This restriction is necessary to obtain the $1,000 tax concession referred to above. The restriction will be lifted if the employee ceases to be employed by a Verticon Group company.

(2) Executive Share Plan

Under this Plan, the Board may offer Shares to full-time executives of Verticon Group.

(a) Shares offered at time of Acquisitions

Verticon Group proposes to offer 2,083,333 free Shares to each of Deenford Pty Ltd (a company associated with Denis Tomasel, Chief Executive Seca) and Emadale Pty Ltd (a company associated with Steven Gunn, Field Manager Seca) at the time of completion of the Seca Agreement. The shares will be issued under and subject to the Executive Share Plan. These Shares have implied values of $2.5 million respectively at the Offer Price.

The taxpayers will be able to elect that the Shares are issued as "tax paid" or "tax deferred". These persons will not be entitled to deal with their Shares until the date the Company's financial results for FY06 are announced to ASX.

ADDITIONAL INFORMATION

(b) Shares offered at a later time
The Company may choose to offer additional Shares to executives under the Executive Share Plan. There is no current intention to do so.

(i) Taxation considerations

Executives will make an election as to whether some or all of the Shares acquired under the Executive Share Plan will be issued as "tax paid" or "tax deferred".

Restrictions will be placed on the Shares preventing the Executives from selling those Shares until the date the Company's financial results for FY06 are announced to ASX. Where the executives elect to defer the tax on the Shares their tax liability will arise in the income year in which the restrictions are lifted.

Shares issued as "tax deferred" will be subject to certain forfeiture conditions which apply when employees are terminated for misconduct or in certain other circumstances which are set out in the Plan. These forfeiture conditions generally cease after 10 years. The forfeiture conditions are necessary to attract the tax deferral concession. Employees will usually be able to defer income tax on tax deferred shares for up to 10 years or until they cease employment within the Verticon Group.

(3) Director/Executive Option Plan

Under this Plan, the Board may offer Directors and senior executives of the Company (referred to as "Participants") options which may be exercised for new Shares. The Board has a discretion to set the issue price, exercise price and other conditions applying to the options.

If there is a reconstruction of capital or a bonus issue there will be a corresponding adjustment to the number of options. Further, if the Company undertakes a rights issue, the exercise price of the options will be reconstructed in accordance with the ASX Listing Rules. These provisions are designed to preserve the Participant's proportionate entitlement to Shares on exercise of options.

Shares arising on exercise of options will have the same rights as, and rank equally with, other Shares (subject to any further conditions or restrictions imposed by the Board).

(a) Proposed issue of options to the Managing Director
It is proposed to offer 400,000 options with an exercise price of $1.20 each to Mark Kevin, the Managing Director of the Company prior to 31 December 2004. The terms (including the date of issue) of the options have not yet been settled, but it is expected that the options will vest progressively over 3 years (100,000 after 30 June 2005, 150,000 after 30 June 2006 and 150,000 after 30 June 2007) subject to Mark Kevin achieving certain performance hurdles.

(b) Options offered at a later time
The Company may choose to offer additional options to Directors and executives under the Director/Executive Option Plan. There is no current intention to do so.

(c) Taxation considerations
Tax will not be payable by Directors or executives who are issued with options under the plan until the options are exercised. Options may not be exercised until they vest, which is dependent on the achievement of performance hurdles.

Directors and executives may elect to pay tax immediately on the options. There are certain possible capital gains tax advantages in doing so.

(4) Limits on Share and Option Issues Under Plans

The maximum number of Shares and options for Shares on issue under the 3 Plans must not at any time exceed 10% of the number of Shares then on issue.

10.6 DIVIDEND REINVESTMENT PLAN

The Company has adopted the Rules of a Dividend Reinvestment Plan (DRP). The DRP has not yet been activated, but the Board may activate the DRP in its discretion. The Board has not yet determined when, or if, the DRP will be activated.

The DRP has the following key features:

(1) Shareholders may elect to be issued with Shares in lieu of dividends on some or all of their Shares subject to limitations on participation determined by the Board from time to time;

(2) the number of Shares to be issued under the DRP will be determined by dividing the dividend payable in relation to participating Shares by the price equal to the volume weighted average price for a Share on ASX on the 5 trading days following the relevant record date, with a discount to that price set by the Board from time to time if the Board considers a discount appropriate in its absolute discretion. Fractional entitlements will be rounded down to the nearest whole Share;

(3) no brokerage, commission or other transaction costs are charged on Shares issued or transferred under the DRP;

(4) participation in the DRP will be open to all Shareholders resident in Australia (subject to any other restrictions decided by the Board). The Directors can also determine a minimum and maximum number of Shares that can participate in the DRP;

(5) the Board may modify, suspend or terminate the DRP as it sees fit at any time;

(6) Shareholders may transfer any or all of their participating Shares at any time, but the transferred Shares will not participate in the DRP unless the new owner elects to participate;

ADDITIONAL INFORMATION

(7) if all of a Shareholder's Shares participate in the DRP, any further Shares purchased by or issued to that Shareholder will automatically participate in the DRP (i.e. the Shareholder will not be sent a cash dividend in respect of any Shares); and

(8) the Company will apply to ASX for quotation of Shares issued under the DRP.

10.7 LEGAL MATTERS

(1) Material Proceedings

To the knowledge of the Directors, neither Verticon Group nor any of its subsidiaries is involved in any litigation. The Directors are not aware of any circumstances that might reasonably be expected to give rise to such litigation.

(2) Intellectual Property

The Company has filed applications for registration of the names "Verticon" and "Seca" in relation to the following classes and services:

» Class 35: Supply and hire of building and construction equipment (including cranes and hoists); supply and hire of labour in connection with the hire, installation, operation and dismantling of building and construction equipment including cranes and hoists.

» Class 37: Building and construction services.

The Company believes the registrations will be granted in due course.

The Company is also the registered owner of the domain name www.verticon.com.au

10.8 DIRECTORS' INTERESTS

(1) Securities

At the date of this Prospectus, the relevant interest held by each of the current Directors (including companies and trusts associated with the Directors) in Verticon Group is as follows:

DIRECTOR	NAME OF HOLDER	SHARES	OPTIONS
Michael Butler	–	–	–
Mark Kevin[(1)]	–	–	–
David Goldberger[(2)]	Taraville Pty Ltd	14,583,333	–
David Wieland[(2)]	Taraville Pty Ltd	14,583,333	–
Denis Tomasel[(3)]	Deenford Pty Ltd	2,083,333	–

Notes:

(1) The Company proposes to issue options to Mark Kevin prior to 31 December 2004, as discussed in Section 10.5(3)(a).

(2) The relevant interests of David Goldberger and David Wieland arise because they are directors of the Existing Shareholder, Taraville Pty Ltd.

(3) The relevant interest of Denis Tomasel arises because he is an associate of Deenford Pty Ltd.

Nothing in this Prospectus will be taken to preclude Directors, officers or employees of Verticon Group from applying for Shares on the same terms and conditions as offered pursuant to this Prospectus.

(2) Deed of Access and Indemnity

The Company has executed a deed of access and indemnity in favour of the Directors. The indemnity is subject to the restrictions prescribed in the Corporations Act. The deed also gives each Director a right of access to Board papers and requires the Company to maintain insurance cover for the Directors.

10.9 DIRECTORS' REMUNERATION

The Constitution provides that the Directors' remuneration must not exceed the maximum aggregate sum determined by the Company in general meeting. At present that sum is fixed at a maximum of $400,000, in aggregate, per annum. This maximum sum cannot be increased without members' approval by ordinary resolution at a general meeting.

(1) Payment of Expenses

In addition to remuneration, Directors are entitled to receive travelling and other expenses reimbursement that they properly incur in attending Directors' meetings, attending any general meetings of the Company or in connection with the Company's business.

(2) Payment for Extra Services

Any Director called upon to perform extra services or undertake any executive or other work for the Company beyond his or her general duties, may be remunerated either by a fixed sum or a salary as determined by the Directors. This may be in addition to or in substitution for the Director's share in the usual remuneration provided.

(3) Effect of Cessation of Office

With the approval of the Company in general meeting the Directors may, upon a Director ceasing to hold office or at any time after a Director ceases to hold office whether by retirement or otherwise, pay to the former Director or any of the legal personal representatives or dependants of the former Director in the case of death a lump sum in respect of past services of the Director of an amount not exceeding the amount either permitted by the Corporations Act or the ASX Listing Rules.

The Company may contract with any Director to secure payment of the lump sum to the Director, his or her legal personal representatives or dependants or any of them, unless prohibited by the Corporations Act or the ASX Listing Rules.

(4) Payment of Superannuation Contributions

The Company may also pay the Directors' superannuation contributions of an amount necessary to meet the minimum level of superannuation contributions required under any applicable legislation to avoid any penalty, charge, tax or impost.

ADDITIONAL INFORMATION

(5) Financial Benefit

A Director must ensure that the requirements of the Corporations Act are complied with in relation to any financial benefit given by the Company to the Director or to any other related party of the Director.

The Company must not make loans to Directors or provide guarantees or security for obligations undertaken by Directors except as may be permitted by the Corporations Act.

Director's fees to be paid by Verticon Group upon admission to the Official List are as follows.

DIRECTOR	
Michael Butler	$100,000 p.a.
David Goldberger	–
David Wieland	–
Mark Kevin	–
Denis Tomasel	–

David Goldberger and David Wieland have elected not to receive a Director's fee.

The remuneration of Mark Kevin and Denis Tomasel as Executive Directors is covered by the Executive Employment Agreements summarised in Section 10.4(8).

10.10 INTERESTS OF DIRECTORS

Other than as set out above, or elsewhere in this Prospectus, no Director has, or had within 2 years before lodgement of this Prospectus with the ASIC, any interest in:

» the promotion or formation of Verticon Group;

» property acquired or proposed to be acquired in connection with its promotion or formation or the Offer under this Prospectus; or

» the Offer of Shares under this Prospectus.

Except as set out in this Prospectus, no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any Director:

» to induce him or her to become, or to qualify him or her as, a Director; or

» for services rendered by him or her in connection with the formation or promotion of Verticon Group of the Offer of Shares under this Prospectus.

10.11 INTERESTS OF ADVISERS

Except as set out in this Prospectus, no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus:

» has any interest, or has had any interest during the last 2 years, in the formation or promotion of Verticon Group, or in property acquired or proposed to be acquired by Verticon Group in connection with its formation or promotion, or the Offer; and

» no amount has been paid, or agreed to be paid, and no benefit has been given, or agreed to be given, to any such person in connection with the services provided by the person in connection with the formation or promotion of Verticon Group or the Offer.

Deacons has acted as Australian legal advisers to Verticon Group in connection with the Offer and is entitled to receive approximately $190,000 (exclusive of GST) for these services. Deacons has also provided legal services to the Company in respect of the Acquisitions, and is entitled to receive approximately $380,000 (exclusive of GST) for these services.

Bell Potter is the manager and Underwriter of the Offer. Bell Potter is entitled to an underwriting fee of $2.5 million (5% of the amount sought to be raised under the Offer) and a management fee of $250,000. As a consequence of its rights under the Voluntary Escrow Deed referred to in Section 10.16, Bell Potter will have a relevant interest in 14,583,333 Shares (the Shares held by the Existing Shareholder).

PricewaterhouseCoopers Securities Limited has acted as the investigating accountant, has prepared the Investigating Accountant's Report, and has also performed work in relation to due diligence enquiries. PricewaterhouseCoopers Securities Limited is entitled to receive approximately $400,000 for these services.

PricewaterhouseCoopers has been appointed auditor of the Company and will be entitled to receive approximately $110,000 for audit services for the Company's FY05 audit. PricewaterhouseCoopers has also performed audit work in respect of Seca for FY04 and is entitled to receive approximately $100,000 in respect of that work.

BIS Shrapnel Pty Ltd has provided the independent expert's report on the construction industry set out in Section 5. BIS Shrapnel Pty Ltd is entitled to receive approximately $4,950 for this report.

10.12 NO OTHER PROMOTERS

No person, except the persons referred to in Sections 10.10 and 10.11 and elsewhere in this Prospectus, has any interest in the promotion or formation of Verticon Group.

10.13 DIRECTORS' CONSENTS

Each Director of Verticon Group has given, and not withdrawn as at the date of this Prospectus, their consent to the lodgement of this Prospectus.

ADDITIONAL INFORMATION

10.14 CONSENTS TO BE NAMED

The following persons or firms have consented to being named in this Prospectus in the manner detailed below and have not withdrawn their consent as at the date of this Prospectus:

» Deacons has given its consent (which has not been withdrawn as at the date of this Prospectus) to the issue of this Prospectus with the references to Deacons included in this Prospectus, in the form and context in which these are included.

» PricewaterhouseCoopers Securities Limited has given its consent (which has not been withdrawn as at the date of this Prospectus) to the issue of this Prospectus with:

  – the references to PricewaterhouseCoopers Securities Limited included in this Prospectus, in the form and context in which they are included; and

  – the inclusion of its Investigating Accountant's Report (Section 9).

» PricewaterhouseCoopers has been appointed as auditor of Verticon Group. PricewaterhouseCoopers has given its consent (which has not been withdrawn as at the date of this Prospectus) to be named as auditor of Verticon Group and to references to audit financial information, in the form and context in which these are included.

» ASX Perpetual has given its consent (which has not been withdrawn as at the date of this Prospectus) to the issue of this Prospectus with the inclusions to references to ASX Perpetual included in this Prospectus, in the form and context in which these are included.

» Bell Potter has given its consent (which has not been withdrawn as at the date of this Prospectus) to the issue of this Prospectus with the references to Bell Potter included in this Prospectus, in the form and context in which these are included.

» BIS Shrapnel Pty Ltd has given its consent (which has not been withdrawn as at the date of this Prospectus) to the issue of this Prospectus with:

  – the references to BIS Shrapnel Pty Ltd included in this Prospectus, in the form and context in which they are included; and

  – the inclusion of its independent expert's report on the construction industry (Section 5).

Each of the persons named in Section 10.14

» has not authorised or caused the issue of this Prospectus;

» does not make, or purport to make, any statement in this Prospectus other than, in the case of a person referred to under the heading "Consents to be named", a statement or a report included in this Prospectus with the consent of the party; and

» to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than reference to its name and, in the case of a person referred to under the heading "Consents to be named", any statement or a report which has been included in this Prospectus with the consent of that party.

10.15 EXPENSES OF THE OFFER

It is estimated that approximately $4.5 million will be payable by Verticon Group in respect of underwriting, legal, accounting, corporate advisory, expert's fees, printing, ASIC and ASX fees and other costs arising from this Prospectus and the Offer.

10.16 VOLUNTARY ESCROW

The persons specified below (Escrowed Security Holders) have each entered or will enter into a Voluntary Escrow Deed with either the Company or the Underwriter pursuant to which they agree not to sell, transfer, or otherwise dispose of their interests in the securities referred to below (Escrowed Securities) for an Escrow Period. The Escrow Period commences on the date of the relevant Deed, and ends on the date the Company's financial results for the financial year ending 30 June 2006 are announced to ASX.

The Escrowed Security Holder may sell, transfer, or otherwise dispose of its interests in the Escrowed Securities prior to the end of the Escrow Period:

(1) during a takeover bid (but the restrictions above apply to any Escrowed Securities which are not sold during the takeover bid unless a person and its associates take a relevant interest in at least 50% of the Company); or

(2) if a Court approves a scheme of arrangement in relation to the Company which would result in a person and its associates taking a relevant interest in at least 50% of the Company.

The Voluntary Escrow Deeds provide for the application of holding locks to the Escrowed Securities for the duration of the Escrow Period.

ADDITIONAL INFORMATION

ESCROWED SECURITY HOLDER	DEED WITH UNDERWRITER OR COMPANY	DATE OF DEED	NUMBER OF ESCROWED SECURITIES
Taraville Pty Ltd ACN 109 565 175	Underwriter	15 November 2004	14,583,333 Shares
Deenford Pty Ltd ACN 111 699 622, a company associated with Denis Maxwell Tomasel	Company	On completion of Seca Agreement	2,083,333 Shares
Emadale Pty Ltd ACN 111 717 714, a company associated with Steven James Gunn	Company	On completion of Seca Agreement	2,083,333 Shares
Elessar Holdings Pty Ltd ACN 077 792 360, a company associated with Sanjay Chotai	Company	On completion of Seca Agreement	416,667 Shares
Econ Construction Equipment (Australia) Pty Ltd ACN 006 405 956, Econ D & G WA Pty Ltd ACN 089 860 971 and Tedcon Machinery Pty Ltd ACN 091 434 481 or their nominees	Company	On completion of Econ Agreement	1,500,000 Shares

10.17 ASX ADMISSION AND QUOTATION

Verticon Group will apply to ASX for admission to the Official List and quotation of the Shares on ASX within 7 days of the date of this Prospectus.

10.18 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal office hours free of charge at the registered office of Verticon Group at Level 4, 580 St Kilda Road, Melbourne 3004 for a period of not less than 12 months from the date of this Prospectus:

» Directors' consents for the lodgement of this Prospectus;

» the Constitution;

» the employee and director incentive plans summarised in Section 10.5;

» consents referred to in Section 10.

10.19 DIRECTORS' STATEMENT

The Directors' report that, in their opinion, after having made the inquiry:

» except as disclosed in this Prospectus, they are not aware of any circumstances that have materially affected or will materially affect the assets and liabilities, the financial position, the profits and losses, or prospects of Verticon Group or any of the businesses to be acquired by the Company on completion of the Offer; and

» they have reasonable grounds to and do believe that this Prospectus contains no statements that are false or misleading and that there are no material omissions from the Prospectus.

This Prospectus was signed on behalf of the Directors by Mark Kevin.

Mark Kevin
Managing Director
Verticon Group Limited

» SECTION ELEVEN GLOSSARY OF TERMS

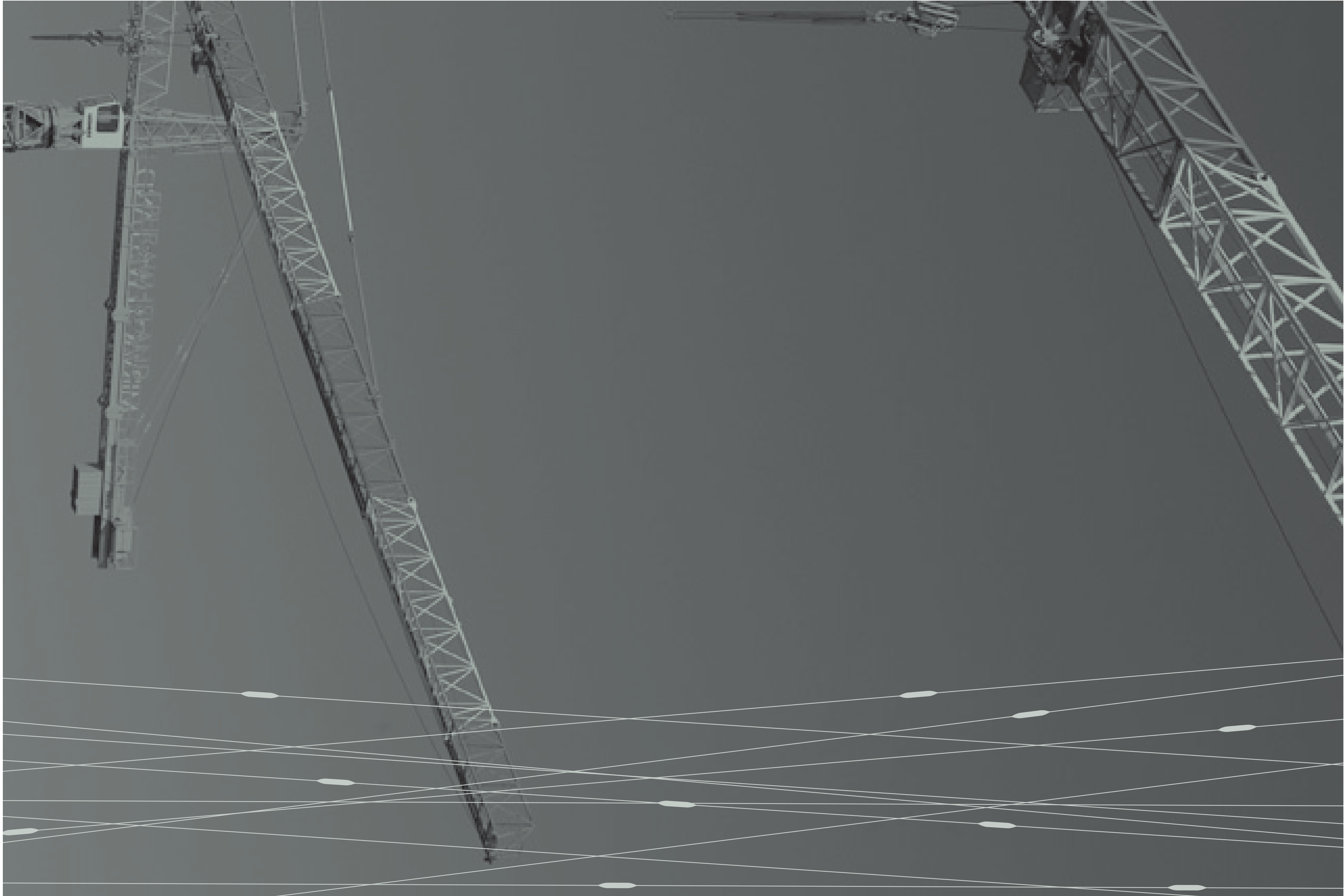
GLOSSARY OF TERMS

Some items may be defined in Section 7 but not in this glossary.

$A or **$**	Australian dollars
A-IFRS	Australian equivalents to International Financial Reporting Standards
Acquisitions	The acquisitions of the Seca and Econ businesses by the Company
Acquisition Agreement	The Seca Agreement or the Econ Agreement, or both
Applicant	A person who applies for Shares in accordance with this Prospectus
Application	A valid application for Shares offered under this Prospectus
Application Form	An application form attached to this Prospectus (for either the Offer or the Employee Gift Offer)
Application Money	Money received from an Applicant in respect of an Application
ASIC	Australian Securities and Investments Commission
ASX	Australian Stock Exchange Limited
ASX Listing Rules	The official listing rules of ASX
Bell Potter	Bell Potter Securities Limited ABN 25 006 390 772
Board	The board of Directors of Verticon Group
CHESS	Clearing House Electronic Subregister System
Closing Date	Closing date of the Offer unless otherwise varied by the Company and the Underwriter
Company and **Verticon Group**	Verticon Group Limited ABN 53 111 398 040 and/or any of its subsidiaries, as the case requires
Constitution	The constitution of the Company adopted by Shareholders in general meeting on 15 November 2004
Corporations Act	Corporations Act 2001 (Cth)
Director/Executive Option Plan	The Verticon Group director/executive option plan, the current rules of which are summarised in Section 10.5(3)
Directors	Directors of Verticon Group
EBIT	Earnings before interest and taxation
EBITDA	Earnings before interest, taxation, depreciation and amortisation
Econ	The businesses of Econ Construction Equipment Australia Pty Ltd and its associated entities and structures
Econ Agreement	The agreement between the Company and Econ Construction Equipment Australia Pty Ltd and its associated entities and structures for the purchase of Econ
Employee Gift Offer	The offer to persons who are Qualifying Employees made pursuant to this Prospectus, and described in Section 2.14
Employee Gift Application Form	The personalised application form for the Employee Gift Offer
Employee Gift Shares	The Shares offered to Qualifying Employees under the Employee Gift Offer

GLOSSARY OF TERMS

Employee Share Plan	The Verticon Group employee share plan, the current rules of which are summarised in Section 10.5(1)
Executive Share Plan	The Verticon Group executive share plan, the current rules of which are summarised in Section 10.5(2)
EPS	NPAT per Share
Existing Shares	The 14,583,333 Shares held by the Existing Shareholder
Existing Shareholder	Taraville Pty Ltd ACN 109 565 175
Exposure Period	The period during which the Company cannot accept Applications as described in section 727(3) of the Corporations Act
FY	The financial year to 30 June in any year, e.g. FY02 means the financial year ended 30 June 2002
Holding Statements	Holding Statements for Shares
Listing	The quotation of the Shares on the Official List
Listing Date	The date on which Listing first occurs
NPAT	Net profit after tax
NPBT	Net profit before tax
Offer	The offer of 41,666,667 Shares under this Prospectus
Offer Period	The period between the Opening Date and the Closing Date
Offer Price	$1.20 per Share
Official List	The official list of ASX
Opening Date	The commencement date of the Offer
PER	Price Earnings Ratio
Prospectus	This Prospectus and any supplementary or replacement prospectuses
Qualifying Employee	A permanent full-time employee of the Company as at the completion of the Seca and Econ Agreements, excluding an Executive Director
Seca	The businesses of SECA Pty Ltd and its associated entities and structures
Seca Agreement	The agreement between the Company and SECA Pty Ltd its associated entities and structures for the purchase of Seca
Share Registry	ASX Perpetual Registrars Limited
Shareholder	A holder of a Share
Shares	Fully paid ordinary shares in the capital of Verticon Group
Underwriter	Bell Potter Securities Limited
Underwriting Agreement	Agreement dated 17 November 2004 between Verticon Group and the Underwriter, the provisions of which are summarised in Section 10
Voluntary Escrow Deed	A deed entered into between the Company or the Underwriter and one of the parties specified in Section 10.16 making securities held by them subject to voluntary escrow



» SECTION TWELVE APPLICATION FORMS

APPLICATION FORMS

PRIVACY DISCLOSURE STATEMENT

By completing the Application Form accompanying this Prospectus, investors will be providing personal information to Verticon Group (directly or via the Share Registry). The Privacy Act 1988 (Cth) governs the use of a person's personal information and sets out principles governing the ways in which organisations should treat personal information. The personal information Verticon Group collects from investors on the Application Form is used to evaluate Applications for Shares in Verticon Group and for successful Applications, to provide services and appropriate administration for investors. If Verticon Group is obliged to do so by law, investor's personal information will be passed on to other parties strictly in accordance with legal requirements. Once personal information is no longer needed for our records, Verticon Group will destroy or de-identify it.

The Company collects information about each Applicant provided on an Application Form for the purposes of processing the Application and, if the Application is successful, to administer the Applicant's security holding in the Company.

By submitting an Application Form, each Applicant agrees that the Company may use the information provided by an Applicant on the Application Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the Underwriter, Share Registry, the Company's related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX and regulatory authorities.

If an Applicant becomes a security holder, the Corporations Act requires the Company to include information about the security holder (including name, address and details of the securities held) in its public register. The information contained in the Company's public register must remain there even if that person ceases to be a security holder. Information contained in the Company's registers is also used to facilitate distribution payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its security holders) and compliance by the Company with legal and regulatory requirements.

If you do not provide the information required on the Application Form, the Company may not be able to accept or process your Application.

An Applicant has a right to gain access to the information that the Company holds about that person subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing to the Company's registered office.

Pin cheque here (do not staple)

Verticon Group Limited Application Form

ACN 111 398 040

Broker Code

Adviser Code

This Application Form must not be handed to another person unless attached to or accompanied by the Prospectus dated 17 November 2004 and any relevant supplementary Prospectus. A person who gives another person access to this Application Form must at the same time and by the same means give the other person access to the Prospectus.

A Number of Shares applied for. __,___,___ at Issue price per Share **$A1.20**

(minimum **2,000** Shares (A$2,400.00), thereafter in multipes of **100** Shares (A$120.00)).

B I/We lodge full Application Money (A$1.20 per share) **$A** __,___,___ **. 0 0**

C **PLEASE COMPLETE YOUR DETAILS BELOW (refer overleaf for correct forms of registrable names)**

Applicant

Surname/Company Name

Title | First Name | Middle Name

Joint Applicant #2

Surname

Title | First Name | Middle Name

Designated account e.g. <Super Fund> (or Joint Applicant #3)

D **PLEASE COMPLETE ADDRESS DETAILS**

PO Box/RMB/Locked Bag/Care of (c/-)/Property name/Building name (if applicable)

Unit Number/Level | Street Number | Street Name

Suburb/City or Town | State | Postcode

Email address if available

E CHESS HIN (if you want to add this holding to a specific CHESS holder, write the number here)

X

The name or address on CHESS must exactly match the name you have given here on this Application Form.

F Telephone Number where you can be contacted during business hours ( )

Contact Name (PRINT)

G Cheque or money orders should be drawn on an Australian branch of an Australian bank in Australian currency and made payable to "Verticon Group Limited - Float Account" and crossed "Not Negotiable".

Cheque or Bank Draft Number | BSB ___-___ | Account Number

By submitting this Application Form, I/we declare that this application is completed and lodged according to this Prospectus and the delaration/statements on the reverse of this Application Form, and I/we declare that all details and statements made by me/us (including the declarations on the reverse of this Application Form) are complete and accurate. I/we agree to be bound by the Constitution of the Company.

LODGEMENT INSTRUCTIONS You must return your Application so it is received before 5.00pm AEST on 9 December 2004 to: Bell Potter - Verticon Group IPO, Level 28, 80 Collins Street, Melbourne VIC 3000.

VGL IPO001

Your Guide to the Application Forms

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

The securities to which this Application Form relates are fully paid ordinary shares in Verticon Group Limited. Further details about the Shares are contained in the Prospectus dated 17 November 2004 issued by Verticon Group Limited. The expiry date of the Prospectus is 17 December 2005. While the Prospectus is current, Verticon Group Limited will send paper copies of the Prospectus, any supplementary document and the Application Form free of charge on request. This Application Form accompanies the Prospectus. The Prospectus contains important information about investing in the Shares. You should read the Prospectus before applying for Shares.

A Insert the number of Shares you wish to apply for. The Application must be for a minimum of 2,000 Shares ($A2,400) and thereafter in multiples of 100 Shares ($A120). You may be issued all of the Shares applied for or a lesser number or none.

B Insert the relevant amount of Application Moneys. To calculate your Application Moneys, multiply the number of Shares applied for by the issue price. Amounts should be in Australian dollars. Please make sure the amount of your cheque(s) equals this amount.

C Write the full name you wish to appear on the Register. This must be either your own name or the name of a company. Up to three joint applicants may register. You should refer to the table below for the correct registrable title.

D Please enter your postal address for all correspondence. All communications to you from Verticon Group Limited and the Share Registry will be mailed to the person(s) and address as shown. For joint applicants only one address can be entered.

E If you are already a CHESS participant or sponsored by a CHESS participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHESS for this HIN is different to the details given on this form your Shares and Options will be issued to Verticon Group Limited's Issuer Sponsored subregister.

F Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.

G Please complete cheque details and make it payable to "Verticon Group Limited - Float Account" as follows:

- Cross it "Not Negotiable". Your cheque or bankdraft must be drawn on an Australian branch of an Australian bank.
- The amount should agree with the amount shown in Section B.
- Sufficient cleared funds should be held in your account, as cheques dishonoured by your Bank may result in your Application being rejected.
- Pin (do not staple) your cheque(s) to the Application Form where indicated.

ASX Perpetual Registrars Limited advise that once you become a shareholder in Verticon Group Limited, Chapter 2C of the *Corporations Act 2001* requires information about you (including your name, address and details of the Shares you hold) to be included in Verticon Group Limited's public register. This information must continue to be included in Verticon Group Limited's public register if you cease to be a shareholder. These statutory obligations are not altered by the *Privacy Amendment (Private Sector) Act 2000*. Information is collected to administer your security holding and if some or all of the information is not collected then it might not be possible to administer your security holding. Our privacy policy is available on our website

Declarations

By lodging this Application Form, the applicant declares that it has received, read and understood a complete copy of the Prospectus, agrees that this application is subject to the terms of the Prospectus and the Constitution, agrees to take any number of Shares that may be allotted to the applicant pursuant to the Prospectus, and declares that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold Shares. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
Company Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
Joint Holdings Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
Trusts Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
Deceased Estates Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
Minor (a person under the age of 18 years) Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
Partnerships Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
Long Names	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
Clubs / Unicorporated Bodies / Business Names Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
Superannuation Funds Use the name of the trustee of the fund	XYZ Py Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

- Put the name(s) of any joint applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application.

CORPORATE DIRECTORY

Bell Potter
SECURITIES LIMITED

Underwriter to the Issue
Bell Potter Securities Limited
Level 28, 80 Collins Street
Melbourne VIC 3000

Tel: 1300 137 278

Directors

Michael Butler	Chairman
David Wieland	Non-Executive Director
David Goldberger	Non-Executive Director
Mark Kevin	Managing Director
Denis Tomasel	Executive Director

Registered Office and Head Office
Verticon Group Limited
Level 4, 580 St Kilda Road
Melbourne VIC 3004

Auditors and Accountant
PricewaterhouseCoopers
1 Eagle Street
Brisbane QLD 4000

Investigating Accountant
PricewaterhouseCoopers Securities Ltd
1 Eagle Street
Brisbane QLD 4000

Solicitors to the Offer
Deacons
Level 24, 385 Bourke Street
Melbourne VIC 3000

Share Registry
ASX Perpetual Registrars Limited
Level 4, 333 Collins Street
Melbourne VIC 3000