



VERTICON GROUP LIMITED

ABN 53 111 398 040

Interim Financial Report

31 December 2006

Verticon Group Limited

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Interim financial report - 31 December 2006

Contents

	Page
Directors' Report	2
Auditors Independence Declaration	3
Interim Financial Report	
Consolidated income statement	4
Consolidated balance sheet	5
Consolidated statement of changes in equity	6
Consolidated cash flow statement	7
Notes to the consolidated financial statements	8-10
Directors' declaration	11
Independent review report to the members	12-13

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2006 and any public announcements made by Verticon Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Verticon Group Limited

Directors' Report

Your directors present their report on the consolidated entity consisting of Verticon Group Limited and the entities it controlled at the end of, or during, the half year ended 31 December 2006.

Directors

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

Noel Henderson	Chairman (Executive)
David Wieland	Director (Non Executive)
David Goldberger	Director (Non Executive)
Sam Fink	Director (Non Executive)
Rob Lockett	Director (Executive)
Denis Tomasel	Director (Executive)

Review of operations

Verticon Group Limited recorded a loss of \$6.9 million after tax for the six months to 31 December 2006.

Auditors' independence

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

Rounding of amounts

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

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



Noel Henderson
Chairman



Rob Lockett
Managing Director

Signed at Melbourne,

Dated this 22nd day of February 2007.

PricewaterhouseCoopers
ABN 52 780 433 757

Freshwater Place
2 Southbank Boulevard
SOUTHBANK VIC 3006
GPO Box 13311
MELBOURNE VIC 3001
DX 77

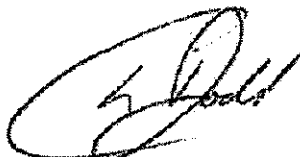
Website: www.pwc.com/au
Telephone 61 3 8603 1000
Facsimile 61 3 8603 1999

Auditors' Independence Declaration

As lead auditor for the review of Verticon Group Limited for the half-year ended 31 December 2006, I declare that to the best of my knowledge and belief, there have been:

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

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



Chris Dodd
Partner
PricewaterhouseCoopers

Melbourne
February 2007

Verticon Group Limited

Consolidated Income statement

For the half-year ended 31 December 2006

	Notes	Half Year	
		2006 \$'000	2005 \$'000
Revenue from continuing operations		24,815	23,297
Other income		1,562	-
Employee benefits expense		(12,972)	(11,641)
Impairment of assets and goodwill		(8,237)	-
Depreciation and amortisation expense		(3,013)	(1,987)
Finance costs		(2,184)	(702)
Subcontractors		(1,600)	(1,996)
Equipment hire and consumables used		(1,490)	(1,371)
Transport and travel expenses		(1,454)	(1,038)
Consultants (including legal and accounting)		(724)	(336)
Bad and doubtful debts		(533)	(522)
Insurance		(494)	(373)
Cost of goods sold		(153)	(329)
Other expenses from ordinary activities		(3,357)	(1,130)
Profit/(Loss) before income tax		(9,834)	1,872
Income tax credit		2,897	(506)
Profit/(Loss) attributable to members of Verticon Group Limited		(6,937)	1,366
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share		(11.1)	2.2
Diluted earnings per share		(11.1)	2.2

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

Verticon Group Limited

Consolidated Balance sheet

As at 31 December 2006

	31 December 2006 \$'000	30 June 2006 \$'000
ASSETS		
Current Assets		
Cash and cash equivalents	735	304
Trade and other receivables	14,884	13,732
Current Tax Assets	-	132
Inventories	-	281
Total current assets	15,619	14,449
Non-current Assets		
Property, plant and equipment	73,315	82,525
Deferred tax assets	4,544	1,864
Intangible assets	16,009	15,591
Total non-current assets	93,868	99,980
Total assets	109,487	114,429
LIABILITIES		
Current liabilities		
Trade and other payables	4,504	13,421
Current Tax Liabilities	405	21
Borrowings	4,861	9,666
Provisions	1,124	957
Total current liabilities	10,894	24,065
Non-current liabilities		
Borrowings	52,899	37,589
Deferred tax liabilities	606	1,636
Provisions	22	-
Total non-current liabilities	53,527	39,225
Total liabilities	64,421	63,290
Net assets	45,066	51,139
EQUITY		
Contributed equity	49,463	49,463
Reserves	(637)	(1,500)
Retained profits	(3,760)	3,176
Total equity	45,066	51,139

The above consolidated balance sheet should be read in conjunction with the accompanying notes

Verticon Group Limited

Consolidated statement of changes in equity

For the half-year ended 31 December 2006

	Notes	Half Year	
		2006 \$'000	2005 \$'000
Total equity at the beginning of the half-year		<u>51,139</u>	<u>52,901</u>
Exchange differences on translation of foreign operations		864	(226)
Employee Share Options		-	7
Net income recognised directly in equity		<u>864</u>	<u>(219)</u>
Profit/(loss) for the half-year		<u>(6,937)</u>	<u>1,366</u>
Total recognised income and expense for the year		<u>(6,073)</u>	<u>1,147</u>
Transactions with equity holders in their capacity as equity holders:			
Contributions of equity, net of transaction costs		-	2
Employee share options		-	-
Dividends provided for or paid		-	(2,817)
		<u>-</u>	<u>(2,815)</u>
Total equity at the end of the half-year		<u>45,066</u>	<u>51,233</u>
Total recognised income and expense for the half-year is attributable to:			
Members of Verticon Group Limited		<u>(6,073)</u>	<u>1,147</u>
		<u>(6,073)</u>	<u>1,147</u>

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

Verticon Group Limited

Consolidated Cash flow statement

For the half-year ended 31 December 2006

	Half-year	
	2006	2005
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	27,976	23,562
Payments to suppliers and employees (inclusive of goods and services tax)	(26,960)	(20,219)
	<u>1,016</u>	<u>3,343</u>
Interest received	1	12
Interest paid	(2,291)	(509)
Income taxes paid	(231)	(965)
Net cash inflow/(outflow) from operating activities	<u>(1,505)</u>	<u>1,881</u>
Cash flows from investing activities		
Payments for acquisition of businesses	-	(36,764)
Payments for deferred consideration	(8,745)	-
Payments for property, plant and equipment	(2,805)	(5,536)
Proceeds from sale of property, plant and equipment	3,567	93
Net cash (outflow) from investing activities	<u>(7,983)</u>	<u>(42,207)</u>
Cash flows from financing activities		
Proceeds from borrowings	23,118	41,784
Repayment of borrowings	(12,744)	(161)
Dividends paid to company's shareholders	-	(2,817)
Net cash inflow from financing activities	<u>10,374</u>	<u>38,806</u>
Net increase/(decrease) in cash and cash equivalents	<u>886</u>	<u>(1,520)</u>
Cash and cash equivalents at the beginning of the year	(4,014)	(1,851)
Effects of exchange rate changes on cash and cash equivalents	-	-
Cash and cash equivalents at end of the year	<u>(3,128)</u>	<u>(3,371)</u>

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

Verticon Group Limited

Notes to the financial statements

31 December 2006

1. Summary of Significant Accounting Policies

(a) Basis of preparation of half-year report

This general purpose financial report for the interim half-year reporting period ended 31 December 2006 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2006 and any public announcements made by Verticon Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period

(b) New Accounting Standards and UIG Interpretations

Certain new Australian Accounting Standards and UIG Interpretations have recently been issued that are not mandatory for 31 December 2006 reporting periods. The Group has assessed the impact of these new standards and deemed the impact to be immaterial.

2. Segment information

Business segments

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

Geographic segments

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

Australia

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

New Zealand

Comprises operations carried out in New Zealand.

	Segment revenues from sales to external customers		Segment Result	
	Half year 2006 \$'000	Half year 2005 \$'000	Half year 2006 \$'000	Half year 2005 \$'000
Australia	18,691	22,236	(8,769)	1,100
New Zealand	6,124	1,061	1,831	266
	24,815	23,297	(6,937)	1,366

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

Verticon Group Limited

Notes to the financial statements

31 December 2006

3. Profit for the half-year

Half-year	
2006	2005
\$'000	\$'000

Profit for the half-year includes the following items that are unusual because of their nature, size or incidence:

Gains

Exchange gain on NZ loan account

1,378	-
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<u>1,378</u>	<u>-</u>
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Expenses

Impairment of assets and goodwill

(8,237)	-
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Bad Debts

(533)	(522)
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<u>(8,770)</u>	<u>(522)</u>
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4. Impairment of Assets - Plant and Equipment

Half-year	
2006	2005
\$'000	\$'000

Impairment of Assets

8,220	-
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At 31 December 2006 the consolidated entity reassessed the carrying amount of its fixed assets for indicators of impairment. A physical stocktake was performed on all plant and equipment in both reporting regions. The results of the physical stocktake led to an external valuer being contracted to assess the carrying amount of some assets, the balance being assessed by management. The external valuation, along with managements assessment resulted in an impairment write-down in several individual assets totalling \$8.22 million. \$2.40m relates to captilised maintenance in prior years due to a change in the application of accounting policy.

Estimates of recoverable amounts for each individual asset was assessed as the higher of the assets fair value less costs to sell or the assets value in use. The assets value in use was determined by discounting e: asset's estimated future cash flows at an appropriate discount rate

Verticon Group Limited

Notes to the financial statements

31 December 2006

6. Impairment of Assets - Goodwill

	Half-year	
	2006	2005
	\$'000	\$'000
Impairment of Goodwill - Australia	17	-

At 31 December 2006 the consolidated entity reassessed the carrying amount of its goodwill acquired as part of the acquisition of Econ Constructions on 14 December 2004 for indicators of impairment. As a result an impairment write-down of \$17,108 was recorded due to a change of operations and management in Victoria.

Estimates of recoverable amounts were based on the assets value in use, determined by discounting each asset's estimated future cash flows at a specific discount rate of 8%.

7. Capital Commitments

Commitments under contracts for capital expenditure at balance date to the extent to which provision has not been made in the financial report amount to \$5,754,735

8. Contingencies

There are no contingent matters outstanding on the reporting date

9. Events occurring after the balance sheet date

Change in depreciation estimates - useful lives

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

	Pre	Post
	31 Dec 2006	31 Dec 2006
» Cranes, hoists and parts	5 to 25 years	3 to 20 years
» Other plant and equipment	4 to 10 years	3 to 10 years
» Motor vehicles	5 to 15 years	2 to 7 years

The effect of the change in policy in this period is an estimated additional depreciation charge of \$900,000


Verticon Group Limited

Directors' Declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 4 to 10 are in accordance with the Corporations Act 2001, including
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that Verticon Group Limited will be able to pay its debts as and when they become due and payable; and

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



Noel Henderson
Chairman



Rob Lockett
Managing Director

Signed at Melbourne,

Dated this 22nd day of February 2007

PricewaterhouseCoopers
ABN 52 780 433 757

Freshwater Place
2 Southbank Boulevard
SOUTHBANK VIC 3006
GPO Box 1331L
MELBOURNE VIC 3001
DX 77 Melbourne
Australia
www.pwc.com/au
Telephone 61 3 8603 1000
Facsimile 61 3 8603 1999

INDEPENDENT AUDITOR'S REVIEW REPORT
to the members of Verticon Group Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Verticon Group Limited, which comprises the balance sheet as at 31 December 2006, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Verticon Group (the consolidated entity). The consolidated entity comprises both Verticon Group Limited (the company) and the entities it controlled during that half-year

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Verticon Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion

For further explanation of a review, visit our website <http://www.pwc.com/au/financialstatementaudit>

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

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

Matters relating to the electronic presentation of the reviewed financial report.

This review report relates to the financial report of Verticon Group Limited (the Company) for the half-year ended 31 December 2006 included on Verticon Group Limited's web site. The company's directors are responsible for the integrity of the Verticon Group Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

Independence

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

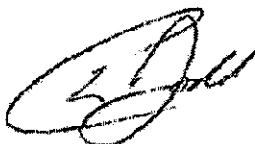
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Verticon Group Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*



PricewaterhouseCoopers



Chris Dodd
Partner

Melbourne
22 February 2007