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ASX ANNOUNCEMENT

CHAIRMAN'S ADDRESS

By any measure, 2005-06 was a tough year.

In our first full year as a public company, our financial performance and results were disappointing as our business faced increasing competition and the construction sector remained flat.

By the end of the financial year, our senior management team in Melbourne has been overhauled, our Board of Directors has been strengthened, Verticon has established key new business partnerships and started to win major contracts that will see Verticon on a road to recovery in the 2006-07 financial year with the full benefits flowing in 2007-08.

Our results

The financial results for the year ended 30 June 2006 were disappointing.

Net profit after tax was \$1.69m on turnover of \$49.96m.

In February and May 2006, Verticon announced reduced earnings guidance. The final earnings per share (EPS) of 2.7 cents per share was in line with our most recent guidance issued to shareholders on 25 May 2006 of between 2.5 to 3.0 cents per share.

The Board has decided not to declare a final dividend. Our failure to meet our original full year EPS forecast of 4.0 to 4.5 cents per share was largely a result of poor management in the Victorian business. As well, Queensland was affected by increased pressure on margins, a very competitive market and a relatively flat construction sector. On a positive note, our market share has been maintained in Queensland and grown in New South Wales. Verticon performed above target in New Zealand.

Management and Board

The Board has overseen a restructure of our senior executive team. As well, we have added more expertise and experience to the Board.

Rob Lockett, who has worked extensively in Australia, New Zealand, the United Kingdom and South Africa in the building and construction sector, was appointed Managing Director in June 2006. He replaced Mark Kevin who had held the post since Verticon listed on the Australian Stock Exchange in December 2004.

Andrew Torrington, who has worked in Australia, New Zealand and the United Kingdom in the construction sector, was appointed Chief Financial Officer and Company Secretary in January 2006 to bring more rigor and oversight to our financial and reporting systems.



When I was appointed Executive Chairman of Verticon in March 2006, I was determined to take a “hands on” approach and adopt a three year plan to help ensure the future success of the business. My plan was to help stabilise the business by the end of the 2005-06 financial year, set our company on a recovery path for 2006-07 and aim for ongoing growth and positive financial returns for all stakeholders during 2007-08.

I was delighted that Sam Fink joined the Board in April 2006 as a non-executive director. Sam, who has a financial background, has been involved in commercial and retail property development throughout his career and has also worked alongside Verticon’s major shareholders and fellow directors, David Goldberger and David Wieland.

Acquisitions

During the 2005-06, Verticon made two key acquisitions.

On 1 September 2005, Verticon acquired 100% of the issued share capital of Fire Up Capital and Rigging Pty Ltd and Fire Up Hire Pty Ltd. The total purchase consideration was \$5.08m.

On 1 December 2005, the assets and business of New Zealand-based Daniel Smith Industries Limited were acquired for a total purchase consideration of \$41.53m.

Moving forward

While the Board sees 2006-07 mainly as a year of recovery, strategies undertaken in 2005-06 will begin to deliver results in the second half of 2006-07 and in the 2007-08 financial year.

These include securing the key contract for crane works at the \$500 million Melbourne Convention Centre site and the development of a key relationship in the Direct Factory Outlet (DFO) sector.

Our visible presence at the convention centre site will be highlighted from February 2007 onwards and it is anticipated the project will deliver about \$4.2 million in revenue. The Convention Centre site is located on the southern bank of the Yarra River in Melbourne.

Contexx Pty Ltd, a company I partly own, has been contracted to build the Austexx residential, retail and office development on the adjoining site to the Convention Centre. Contexx will also have an exclusive supply agreement with Verticon to provide cranes, hoists and other services. A DFO and bulky goods project involving Austexx, Contexx and Verticon is also proposed for Fyshwick in Canberra.

Austexx Pty Ltd is a company controlled by David Wieland and David Goldberger.

The exclusive supply agreement between Contexx and Verticon operates in Australia and New Zealand and covers a pipeline of future projects.

As part of Verticon’s strategic acquisition of Daniel Smith Industries, funds from the buy out are being re-invested by Daniel Smith in purchasing plant and equipment which is then hired to Verticon. This helps grow the level of equipment available to Verticon across all markets and has enabled Daniel Smith to substantially reinvest in Verticon.



The Board has decided not to issue earnings guidance to shareholders for the 2006-07 year at this stage. Instead, the Board believes it would be more timely to issue guidance to shareholders at the release of the half year results expected in about February 2007.

Finally, I would like to take this opportunity to acknowledge the commitment of all our stakeholders during what was a trying year and look forward to continuing with Verticon during its recovery and growth.

For further information, contact

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