VERTICON GROUP LIMITED

ABN 53 111 398 040

Interim Financial Report

31 December 2005

Verticon Group Limited

ABN 53 111 398 040

Interim Financial Report - 31 December 2005

Contents

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 2005 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 for Verticon Group Limited for the six month period to 31 December 2005.

Directors

The following persons were Directors of Verticon Group Limited during the period and up to the date of this report:

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

Review and Results of Operations

Verticon Group Limited listed on the Australian Stock Exchange on 17 December 2004 and raised $50 million through the issue of 41,666,667 ordinary shares.

The Company acquired Fire Up Cranes & Rigging Pty Ltd on 1 September 2005 for a total consideration of $4.8 million. Verticon New Zealand Limited (100% owned subsidiary of the Verticon Group Limited) acquired the crane assets & business of Daniel Smith Industries Limited on 1 December 2005 for a total consideration of $39.1 million, part of which has been deferred for 12 months.

Verticon Group Limited recorded a profit after tax of $1.37 million for the six months to 31 December 2005. The result includes the operational activities of both Fire Up and Verticon New Zealand since the dates of acquisition.

Auditor's Independence Declaration

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

Rounding of amounts to nearest thousand dollars

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

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

Michael Butler
Chairman

Mark Kevin
Managing Director

Signed at Melbourne,

Dated this 21st day of February 2006

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Auditors' Independence Declaration

As lead auditor for the review of Verticon Group Limited for the half-year ended 31 December 2005, 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
21 February 2006

Verticon Group Limited
Consolidated income statement
For the half-year ended 31 December 2005

	2005 Six months $'000	2004 15 Oct - 31 Dec $'000
Revenue from continuing operations	**23,297**	1,420
Other income	-	29
Employee benefits expense	**(11,641)**	(957)
Depreciation and amortisation expense	**(1,987)**	(140)
Bad and doubtful debts	**(522)**	-
Finance costs	**(702)**	(34)
Equipment hire and consumables used	**(1,371)**	(67)
Cost of goods sold	**(329)**	-
Subcontractors	**(1,996)**	-
Other expenses from ordinary activities	**(2,877)**	(172)
Profit before income tax	**1,872**	79
Income tax expense	**(506)**	(6)
Profit attributable to members of Verticon Group Limited	**1,366**	73
	Cents	Cents[1]
Earnings per share for profit attributable to the ordinary equity holders of the company:		
Basic earnings per share	**2.2**	0 4
Diluted earnings per share	**2.2**	0 4

Note 1: The EPS calculation for the period ended 31 December 2004 reflects the period from 15 October 2004 to 31 December 2004.

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

Verticon Group Limited

Consolidated balance sheet

For the half-year ended 31 December 2005

	31 December 2005 $'000	30 June 2005 $'000
ASSETS		
Current Assets		
Cash and cash equivalents	**674**	715
Receivables	**11,005**	9,068
Inventories	**233**	215
Other	**529**	828
Total current assets	**12,441**	10,826
Non-current Assets		
Property, plant & equipment	**86,720**	48,551
Deferred tax assets	**556**	193
Intangible assets	**14,700**	6,115
Total non-current assets	**101,976**	54,859
Total assets	**114,417**	65,685
LIABILITIES		
Current liabilities		
Payables	**3,408**	2,455
Interest bearing liabilities	**7,982**	2,692
Current tax liabilities	**423**	811
Provisions	**753**	641
Total current liabilities	**12,566**	6,599
Non-current liabilities		
Deferred consideration payable	**7,082**	-
Interest bearing liabilities	**42,220**	5,282
Deferred tax liabilities	**1,075**	662
Provisions	**241**	241
Total non-current liabilities	**50,618**	6,185
Total liabilities	**63,184**	12,784
Net assets	**51,233**	52,901
EQUITY		
Contributed equity	**48,364**	48,362
Reserves	**(200)**	19
Retained Profits	**3,069**	4,520
Total equity	**51,233**	52,901

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

Verticon Group Limited

Statement of changes in equity

For the half-year ended 31 December 2005

	2005 Six months $'000	2004 15 Oct - 31 Dec $'000
Total equity at the beginning of the half-year	**52,901**	-
Exchange differences on translation of foreign operations	**(226)**	-
Employee Share Options	**7**	19
Net income recognised directly in equity	**(219)**	19
Profit for the half-year	**1,366**	73
Total recognised income and expense for the year	**1,147**	92
Transactions with equity holders in their capacity as equity holders:		
Contributions of equity, net of transaction costs	**2**	48,036
Dividends provided for or paid	**(2,817)**	-
	(2,815)	48,036
Total equity at the end of the half-year	**51,233**	48,128
Total recognised income and expense for the half-year is attributable to:		
Members of Verticon Group Limited	**1,147**	92
	1,147	92

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 2005

	2005 Six months $'000	2004 15 Oct - 31 Dec $'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	**23,562**	5
Payments to suppliers and employees (inclusive of goods and services tax)	**(20,219)**	(995)
	3,343	(990)
Interest received	**12**	30
Interest paid	**(509)**	(34)
Income taxes paid	**(965)**	-
Net cash inflow/(outflow) from operating activities	**1,881**	(994)
Cash flows from investing activities		
Payments for acquisition of businesses	**(36,764)**	(42,366)
Payments for other acquisition costs	**-**	(1,457)
Payments for property, plant and equipment	**(5,536)**	-
Proceeds from sale of property, plant and equipment	**93**	-
Net cash (outflow) from investing activities	**(42,207)**	(43,823)
Cash flows from financing activities		
Proceeds from issues of shares	-	50,000
Share issue costs	**-**	(3,246)
Proceeds from borrowings	**41,784**	-
Repayment of borrowings	**(161)**	
Dividends paid to company's shareholders	**(2,817)**	-
Net cash inflow from financing activities	**38,806**	46,754
Net increase/(decrease) in cash and cash equivalents	**(1,520)**	1,937
Cash and cash equivalents at the beginning of the half-year	**(1,851)**	-
Effects of exchange rate changes on cash and cash equivalents	**-**	-
Cash and cash equivalents at end of the half-year	**(3,371)**	1,937

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 2005

1. Summary of significant accounting policies

This general purpose financial report for the interim half-year reporting period ended 31 December 2005 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 period ended 30 June 2005 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*

(a) Basis of preparation of half-year financial report

The principal accounting policies adopted in the preparation of the financial report are set out below These policies have been consistently applied to all the periods presented, unless otherwise stated.

Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards (AIFRS)
This interim financial report is the first Verticon Group Limited interim financial report to be prepared in accordance with AIFRS. *AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements

Financial statements of Verticon Group Limited until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP) AGAAP differs in certain respects from AIFRS. When preparing the Verticon Group Limited interim financial report for the half-year ended 31 December 2005, management has amended certain accounting and valuation methods applied in previous AGAAP financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures were restated to reflect these adjustments. The Group has taken the exemption available under AASB 1 to only apply AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement from 1 July 2005

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRSs on the Group's equity and its net income are given in note 7

Historical cost convention
These financial statements have been prepared under the historical cost convention.

(b) Principles of consolidation

(i) Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Verticon Group Limited as at 31 December 2005 and the results of all subsidiaries for the half-year then ended. Verticon Group Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

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

1. Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

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

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

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

(c) Segment reporting

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

(d) Foreign currency translation

(i) Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Verticon Group Limited's functional and presentation currency.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available for sale financial assets, are included in the fair value reserve in equity.

(iii) Group companies
The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- » assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- » income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);
- » all resulting exchange differences are recognised as a separate component of equity

1. Summary of significant accounting policies (continued)

(d) Foreign currency translation (continued)

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity When a foreign operation is sold or borrowings repaid, a proportionate share of such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised for the major business activities, including crane and hoist rental, erection and dismantling of the cranes and hoists, rigging and labour hire when the service has been provided

Revenue is recognised for equipment sales when delivery of the equipment has taken place

(f) Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate The amount of the provision is recognised in the income statement.

(g) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale Other borrowing costs are expensed

(h) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

1. Summary of significant accounting policies (continued)

(i) Acquisition of assets

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

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

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

(j) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(k) Cash and cash equivalents

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

1. Summary of significant accounting policies (continued)

(l) Property, plant & equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred (note (m)).

Land is not depreciated Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

»	Cranes, hoists and parts	5 to 25 years
»	Other plant and equipment	4 to 10 years
»	Motor vehicles	5 to 15 years

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

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, it is Group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(m) 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 extend the useful life of an asset, or where they relate to the replacement of a component of an asset which has been fully depreciated or is being written off, in which case the costs are capitalised and depreciated in accordance with note 1 (l) above Other routine operating maintenance, repair and minor renewal costs are also charged as expenses as incurred.

1. Summary of significant accounting policies (continued)

(n) Employee benefits

(i) Wages and salaries and annual leave

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

(ii) Long service leave

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

(iii) Employee benefit on-costs

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

(iv) Equity-based compensation benefits

Equity-based compensation benefits are provided to employees via the Verticon Executive Option Plan and the Employee and Executive Share Plan.

Shares options granted after 7 November 2002 and vested after 1 January 2005

The fair value of options granted under the Verticon Employee Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is determined using an option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non market vesting conditions (for example, profitability and sales growth targets) Non market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share based payments reserve relating to those options is transferred to share capital.

(o) Inventories

Inventories and work in progress are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Verticon Group Limited

Notes to the financial statements

31 December 2005

1. Summary of significant accounting policies (continued)

(p) Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease

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

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

(r) Intangible Assets

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

(ii) Sign-on fees

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

(s) Trade and other payables

These amounts represent liabilities for goods and services provided to Verticon Group Limited prior to the end of the financial period and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Verticon Group Limited
Notes to the financial statements
31 December 2005

1. Summary of significant accounting policies (continued)

(t) Investments and other financial assets

From 15 October 2004 to 30 June 2005
The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 only from 1 July 2005. The Group has applied previous AGAAP to the comparative information on financial instruments within the scope of AASB 132 and AASB 139. For further information on previous AGAAP refer to the annual report for the year ended 30 June 2005

Adjustments on transition date: 1 July 2005
The nature of the main adjustments to make this information comply with AASB 132 and AASB 139 are that loans and receivables are measured at amortised cost (refer below) At the date of transition (1 July 2005) changes to carrying amounts are taken to retained earnings or reserves.

From 1 July 2005
The Group determines the classification of its investments at initial recognition, depending on the purpose for which the investments were acquired, and re-evaluates this designation at each reporting date. At this reporting date, the Group has classified its investments as loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non current assets. Loans and receivables are included in receivables in the balance sheet. Loans and receivables are carried at amortised cost using the effective interest method.

Purchases and sales of investments are recognised on trade date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

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

(u) Provisions

Provisions for legal claims and service warranties are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

1. Summary of significant accounting policies (continued)

(v) Income tax

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Verticon Group Limited and its wholly-owned Australian controlled entities have not implemented the tax consolidation legislation

(w) Contributed equity

Ordinary shares are classified as equity

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

(x) Dividends

Provision is made for the amount of any dividend declared and approved on or before the end of the half-year but not distributed at balance date.

1. Summary of significant accounting policies (continued)

(y) Earnings per share

(i) Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the half-year, adjusted for bonus elements in ordinary shares issued during the half-year.

(ii) Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares

(z) Rounding of amounts

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

2. Segment information

(a) Business segments
The operations of Verticon Group Limited are organised and managed in conjunction with one another, as they provide common services to a single business segment and market, that being the hire of cranes and hoists.

(b) Geographical segments
Verticon Group Limited operates in Australia and New Zealand. Operations are centred in Queensland, New South Wales and Victoria where the risks and returns are similar for the business segment in which the Company operates Details pertaining to the New Zealand acquisition are provided in Note 4(b). The head office and investment activities of the Company take place exclusively in Victoria.

3. Dividends

	Half-year	
	2005	2004
	$'000	$'000
Ordinary shares		
Dividends provided for or paid during the half-year	**2,817**	-

Dividends paid
Since 30 June 2005, the Directors recommended the payment of a final dividend of 4.5 cents per ordinary share, fully franked based on tax paid of 30% The aggregate amount of the dividend was paid on 21 October 2005 out of retained profits at 30 June 2005

Verticon Group Limited

Notes to the financial statements

31 December 2005

4. Business combination

(a) Acquisition of Fire Up Cranes and Rigging

On 1 September 2005 the parent entity acquired 100% of the issued share capital of Fire Up Cranes and Rigging Pty Ltd and Fire Up Hire Pty Ltd.

The acquired business contributed revenues of $1,847,000 and net profit of $150,000 to the Group for the period from 1 September 2005 to 31 December 2005.

At the date of acquisition, the acquired entities were involved in the business of crane and hoist hire and crane operation and rigging services.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

	$'000
Purchase consideration	
Cash paid	4,839
Direct costs relating to the acquisition	232
Total purchase consideration	5,071
Fair value of net identifiable assets acquired	3,628
Goodwill	1,443

The goodwill is attributable to the synergies expected to arise after the company's acquisition of the new subsidiary, penetration of the New South Wales market, existing customer relationships and the workforce. The fair value of assets and liabilities acquired are based on independent valuations. No acquisition provisions were created.

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount $'000	Fair Value $'000
Cash	455	455
Trade receivables	745	745
Prepayments	47	47
Plant and equipment	1,668	3,069
Employee benefit obligations	(56)	(56)
Trade payables	(517)	(517)
Income tax payable	(115)	(115)
Net assets	2,227	3,628
Net identifiable assets acquired		3,628

4. Business combination (continued)

(b) Acquisition of the assets and business of Daniel Smith Industries Limited (NZ)

On 1 December 2005 the parent entity acquired the assets and business of Daniel Smith Industries Limited, a company domiciled in New Zealand.

The acquired business contributed revenues of $1,061,000 and net profit of $266,000 to the Group for the period from 1 December 2005 to 31 December 2005.

At the date of acquisition, the acquired business was involved in the business of crane and hoist hire and crane operation and rigging services.

Details of the fair value of the assets acquired and goodwill on 1 December 2005 are as follows:

	$'000
Purchase consideration	
Cash paid	**32,002**
Deferred Consideration	**7,187**
Direct costs relating to the acquisition	**203**
Total purchase consideration	**39,392**
Fair value of net identifiable assets acquired (plant and equipment)	**31,716**
Cash	**57**
Goodwill	**7,619**

The goodwill is attributable to the penetration of the New Zealand market, synergies expected to arise after the company's acquisition of the new business, existing customer relationships and the workforce. The fair value of assets and liabilities acquired are based on independent valuations. No acquisition provisions were created

The deferred consideration is payable 14 months after the initial acquisition, based on a pre-determined multiple of earnings over the initial 12 months following acquisition Directors have estimated this liability based on the current forecast level of earnings over that period, discounted to Net Present Value

There were two acquisitions in the half-year ended 31 December 2004 which are detailed in the Group Annual Report as at 30 June 2005

4. Business combination (continued)

	Half-year 2005 $'000	Half-year 2004 $'000
(c) Outflow of cash to acquire businesses, net of cash acquired		
Cash consideration	**37,276**	42,366
Less: Balances acquired		
Cash	**512**	-
Outflow of cash	**36,764**	42,366

Verticon believes it is not practical to calculate the impact on consolidated revenue and consolidated profit had these acquisitions occurred on 1 July 2005, as the information is not accessible.

5. Contingent liabilities

There are no contingent matters outstanding on the reporting date

6. Events occurring after balance sheet date

There is no matter or circumstance that has arisen since 31 December 2005 that has significantly affected or may significantly affect the operating results and assets and liabilities of the company.

Verticon Group Limited

Notes to the financial statements

31 December 2005

7. Explanation of transition to Australian equivalents to IFRSs

(1) Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRSs (AIFRS)

(a) At the date of transition to AIFRS: 15 October 2004

Verticon Group Limited was incorporated on 15 October 2004 The Group's first financial report was for the half-year period ended 31 December 2004

(b) At the end of the last half-year reporting period under previous AGAAP: 31 December 2004

	Notes	Previous AGAAP $'000	Effect of transition to AIFRS $'000	AIFRS $'000
ASSETS				
Current Assets				
Cash and cash equivalents		2,915	-	2,915
Receivables		1,773		1,773
Other		324		324
Total current assets		5,012	-	5,012
Non-current assets				
Property, plant & equipment		41,895		41,895
Intangible assets	4(b)	5,938	4	5,942
Deferred tax assets		234		234
Total non-current assets		48,067	4	48,071
Total assets		53,079	4	53,083
LIABILITIES				
Current liabilities				
Payables		3,355		3,355
Interest bearing liabilities		978		978
Provisions		299		299
Other		62		62
Total current liabilities		4,694	-	4,694
Non-current liabilities				
Deferred tax liabilities		37		37
Provisions		241		241
Total non-current liabilities		278	-	278
Total liabilities		4,972	-	4,972
Net assets		48,107	4	48,111
EQUITY				
Contributed equity		48,036		48,036
Reserves	4(a)	-	2	2
Retained earnings	4(c)	71	2	73
Total equity		48,107	4	48,111

Verticon Group Limited
Notes to the financial statements
31 December 2005

7. Explanation of transition to Australian equivalents to IFRSs (continued)

(c) At the end of the last reporting period under previous AGAAP: 30 June 2005

	Notes	Previous AGAAP $'000	Effect of transition to AIFRS $'000	AIFRS $'000
ASSETS				
Current Assets				
Cash and cash equivalents		715	-	715
Receivables		9,068		9,068
Inventories		215		215
Other		828		828
Total current assets		10,826	-	10,826
Non-current assets				
Property, plant & equipment		48,551		48,551
Intangible assets	4(b)	6,062	53	6,115
Deferred tax assets		193		193
Total non-current assets		54,806	53	54,859
Total assets		65,632	53	65,685
LIABILITIES				
Current liabilities				
Payables		2,455		2,455
Interest bearing liabilities		2,692		2,692
Provisions		641		641
Other		811		811
Total current liabilities		6,599	-	6,599
Non-current liabilities				
Interest bearing liabilities		5,282		5,282
Deferred tax liabilities		662		662
Provisions		241		241
Total non-current liabilities		6,185	-	6,185
Total liabilities		12,784	-	12,784
Net assets		52,848	53	52,901
EQUITY				
Contributed equity		48,362		48,362
Reserves	4(a)	-	19	19
Retained earnings	4(c)	4,486	34	4,520
Total equity		52,848	53	52,901

Verticon Group Limited

Notes to the financial statements

31 December 2005

7. Explanation of transition to Australian equivalents to IFRSs (continued)

(2) Reconciliation of profit under previous AGAAP to profit under Australian equivalents to IFRSs (AIFRS)

(a) Reconciliation of profit for the period ended 31 December 2004

	Notes	Previous AGAAP $'000	Effect of transition to AIFRS $'000	AIFRS $'000
Revenue		1,420	-	1,420
Other income		29		29
Cost of goods sold		-		-
Subcontractors		-		-
Depreciation and amortisation expense	4(b)	(144)	4	(140)
Finance costs		(34)		(34)
Employee benefits expense	4(a)	(957)	(2)	(959)
Equipment hire and consumables used		(67)		(67)
Other expenses		(170)		(170)
Profit before income tax		77	2	79
Income tax expense		(6)		(6)
Profit from continuing operations		71	2	73
Profit from discontinued operations				-
Profit for the half-year		71	2	73
Profit attributable to minority interest				-
Profit attributable to members of Verticon Group Limited		71	2	73

Verticon Group Limited

Notes to the financial statements

31 December 2005

7. Explanation of transition to Australian equivalents to IFRSs (continued)

(b) Reconciliation of profit for the period ended 30 June 2005

	Notes	Previous AGAAP $'000	Effect of transition to AIFRS $'000	AIFRS $'000
Revenue		24,295	-	24,295
Other income		146		146
Cost of goods sold		(1,281)		(1,281)
Subcontractors		(1,179)		(1,179)
Depreciation and amortisation expense	4(b)	(1,712)	53	(1,659)
Finance costs		(256)		(256)
Employee benefits expense	4(a)	(11,177)	(19)	(11,196)
Equipment hire and consumables used		(1,217)		(1,217)
Other expenses		(1,549)		(1,549)
Profit before income tax		6,070	34	6,104
Income tax expense		(1,584)		(1,584)
Profit from continuing operations		4,486	34	4,520
Profit from discontinued operations		-	-	-
Profit for the half-year		4,486	34	4,520
Profit attributable to minority interest		-	-	-
Profit attributable to members of Verticon Group Limited		4,486	34	4,520

(3) Reconciliation of cash flow statement for the year ended 30 June 2005

The adoption of AIFRSs has not resulted in any material adjustments to the cash flow statement.

7. Explanation of transition to Australian equivalents to IFRSs (continued)

(4) Notes to the reconciliations

(a) Share Based Payments

Under AASB 2 Share based Payment from 1 July 2004 the Group is required to recognise an expense for those options that were issued to employees under the Verticon Option Plan after 7 November 2002 but that had not vested by 1 January 2005 The effect of this is:

(i) At 31 December 2004

For the Group there has been a decrease in retained earnings of $2,000 and a corresponding increase in reserves

(ii) At 30 June 2005

For the Group there has been a decrease in retained earnings of $19,000 and a corresponding increase in reserves

(iii) For the half year ended 31 December 2004

For the Group there has been an increase in employee benefits expense of $2,000.

(iv) For the year ended 30 June 2005

For the Group there has been an increase in employee benefits expense of $19,000.

(b) Business Combinations

The Group has made a number of business acquisitions since inception. The effect of applying AASB 3 Business Combinations to the business combinations is goodwill ceases to be amortised, and is instead tested annually for impairment. The effect of this is:

(i) At 31 December 2004

For the Group there has been an increase in retained earnings of $4,000 and a corresponding increase in intangible assets

(ii) At 30 June 2005

For the Group there has been an increase in retained earnings of $53,000 and a corresponding increase in intangible assets.

(iii) For the half year ended 31 December 2004

For the Group there has been a decrease in depreciation and amortisation expense of $4,000.

(iv) For the year ended 30 June 2005

For the Group there has been a decrease in depreciation and amortisation expense of $53,000.

(c) Retained earnings

The effect on retained earnings of the changes set out above are as follows:

	Notes	**31 December 2005 $'000**	30 June 2005 $'000
Share Based Payments	4(a)	(2)	(19)
Business Combinations	4(b)	4	53
Total Adjustment		2	34

Verticon Group Limited

Directors' Declaration

In the Directors' opinion:

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

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

   (ii) giving a true and fair view of the company's financial position as at 31 December 2005 and of its performance, as represented by the results of its operations and its cash flows, for the period ended on that date;

(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

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

Michael Butler
Chairman

Mark Kevin
Managing Director

Signed at Melbourne,

Dated this 21st day of February 2006

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Independent review report to the members of Verticon Group Limited

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Verticon Group Limited:

- does not give a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of the Verticon Group (defined below) as at 31 December 2005 and of its performance for the half-year ended on that date, and
- is not presented in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134: *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*

This statement must be read in conjunction with the rest of our review report.

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for the Verticon Group (the consolidated entity), for the half-year ended 31 December 2005. The consolidated entity comprises both Verticon Group Limited (the company) and the entities it controlled during that half-year. The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review in order for the company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements. For further explanation of a review, visit our website http://www pwc.com/au/financialstatementaudit.

We performed procedures in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report does not present fairly, in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134: *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the consolidated entity's financial position, and its performance as represented by the results of its operations, changes in equity and cash flows.

We formed our statement on the basis of the review procedures performed, which included:

- inquiries of company personnel, and
- analytical procedures applied to financial data

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

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

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.

Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Chris Dodd
Partner

Melbourne
21 February 2006