VERTICON GROUP LIMITED
2005 ANNUAL REPORT

VERTICON

VERTICON GROUP LIMITED
ABN: 53 111 398 040

KEY DATES

Listed on the ASX » 17 December 2004

Financial Year End » 30 June 2005

Dividend Record Date » 6 October 2005

Dividend Paid » 21 October 2005

Annual General Meeting » 8 November 2005

ANNUAL GENERAL MEETING 2005

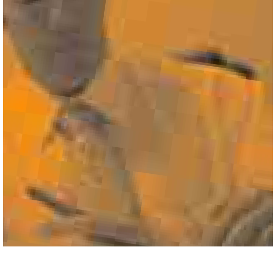
Notice is hereby given that the Annual General Meeting of the members of Verticon Group Limited will be held on 8 November 2005 at 11:00am at The Carlton Crest Hotel, 65 Queens Road Melbourne, Victoria 3004.

CONTENTS

VERTICON GROUP PROVIDES ESSENTIAL SERVICES AND EQUIPMENT HIRE TO THE CONSTRUCTION INDUSTRY THROUGH A VARIETY OF BUILDING PROJECTS INCLUDING HIGH-RISE, LARGE COMMERCIAL AND RESIDENTIAL SECTORS. THROUGH ACQUISITION AND A BROADENING OF ITS SERVICE AND PRODUCT OFFERING, **VERTICON IS BUILDING GROWTH.**







CHAIRMAN'S LETTER

On behalf of the Board of Directors, I am pleased to present the first Annual Report of Verticon Group Limited.

The past year has been an exciting time for our company. We completed an Initial Public Offering and listed on the Australian Stock Exchange in December 2004.

We raised $50 million, and with these funds we completed the purchase of our foundation businesses – Seca Cranes in Queensland and Econ Construction in Victoria.

We took control of the foundation businesses on 13 December 2004 and in the period to 30 June 2005 we achieved a turnover of $24.295 million and a net profit after tax of $4.486 million. This profit was disappointing as it was below our prospectus forecast of $4.900 million (-8%).

The below forecast result was due to weaknesses in our due diligence and problems in the Econ Construction business. The Seca Cranes business in Queensland performed beyond our expectations and, coupled with corrective actions by management in the Econ construction business, resulted in an overall level of underperformance against our prospectus forecast that was not material.

We are pleased to pay a fully franked dividend of 4.5 cents per share which is 0.5 cents per share higher than we forecast in the prospectus. It is the Director's intention to pay as much dividend as is fiscally prudent as we move forward.

Verticon is well positioned for future growth. We have made some small acquisitions since the company floated which are proving to be excellent value. They have assisted the company's skill base, which in turn has improved our service to customers.

Growth will come from acquisitions which are actively being pursued, as well as organic growth as the foundation businesses expand.

Since balance date, we have secured a strong base in the New South Wales market with the acquisition of Fire Up Cranes and Rigging Pty Ltd. This acquisition gives Verticon a serious presence in this state and will greatly assist the utilisation of our cranes and hoists across Verticon's entire fleet.

I would like to thank our management team, headed by Mark Kevin, and my fellow Directors for the time, energy and effort they have invested in our company. To all our staff across the group, thanks for your commitment, perseverance and dedication.

To Shareholders and Customers of Verticon, we thankyou for your support and we look forward to another exciting and rewarding year.

Michael Butler
Chairman

MANAGING DIRECTOR'S REPORT

OVERVIEW

The 2005 financial year has been an exciting one for Verticon. We raised $50 million through our successful Initial Public Offering and subsequent listing of shares on the Australian stock exchange in December 2004.

We commenced management of the foundation businesses – Seca Cranes and Econ Construction – on 13 December 2004. These two highly regarded businesses have a fifteen-year history of hiring tower cranes and material hoists to builders. Cranes are provided on a dry hire (equipment only) or wet hire (equipment and labour supplied) basis.

The two foundation businesses have formed the basis of Verticon upon which we are strengthening as we acquire complementary businesses and continue our organic growth.

Verticon has reinforced its position as the largest supplier of tower cranes in Australia. During the financial year, we expanded the fleet so that by 30 June 2005 it consisted of 79 tower cranes and 31 hoists.

We have spent much effort integrating the businesses to ensure that we are merging the best practices from both divisions. We are working hard to ensure we offer the best possible service to our customers, whether it is superior equipment or the best crane drivers.

Our customers are some of the major builders in Australia and New Zealand, including Multiplex, Baulderstone Hornibrook, Abigroup, Becton and others.

We are also working hard to ensure all our employees can go home after work with no harm or injury to themselves. This clear focus on safety is supported throughout the company by making it a "front of mind" issue for all.

MANAGING DIRECTOR'S REPORT
continued

FINANCIAL PERFORMANCE

Verticon recorded sales of $24.295 million in the period to 30 June 2005.

This was $0.770 million (3%) below prospectus. On a proforma basis, assuming the business was owned by Verticon since 1 July 2004, the business recorded $43.522 million in sales which was 5% below the prospectus, but was pleasingly 23% above the prior year.

The Queensland business performed strongly and finished the year with a solid collection of contracts in progress. The sales performance in Victoria was somewhat disappointing, marred by operational issues which were resolved towards the end of the year.

Earnings before interest, tax, depreciation and amortisation (EBITDA) for the period to 30 June 2005 was $8.038 million. This was $0.483 million (6%) below prospectus. On a proforma basis, the business recorded EBITDA of $14.181 million which was 13% below prospectus but was 10% above the prior year.

EBITDA margins for the period were 33.1% to sales compared to 34.0% in the prospectus. The slight margin reduction was due to a change in sales mix because of lower sales in the Victorian business. Underlying margins within each business remained largely the same.

Net Profit after Tax was $4.486 million for the period ending 30 June 2005. This was $0.412 million (8%) below prospectus.

Cash flow from operating activities was virtually break-even due to Verticon choosing not to include the existing trade receivables from the businesses acquired. Verticon funded its trade receivables out of operating cash-flow during its first period of operation.

During the period Verticon raised $50 million to purchase two foundation businesses in Queensland and Victoria for $45.679 million and incurred capital raising costs of $3.670 million. Verticon spent a further $4.138 million to acquire an additional three smaller tower crane businesses.

MEETING OBJECTIVES

From the outset, Verticon's mission has been to develop a complete service offering for project managers and builders throughout Australia. We intend to leverage our construction service offering into other complementary services that are essential to construction project work across high-rise and large commercial and residential building sectors.

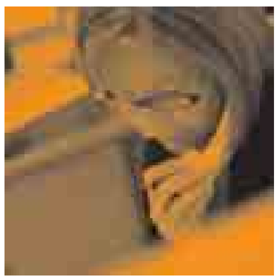
The foundation companies, Seca and Econ, form a strong base from which Verticon Group has been able to grow organically and, where appropriate, acquire complementary businesses that will help achieve our goal of forming a complete national service offering.

Growth through acquisition

During the first year of operation, Verticon took active steps towards this goal with two acquisitions. We purchased the tower crane business from Eltrax Pty Ltd, a Victorian-based formwork company. We also purchased an engineering and rigging business based in Melbourne called GFB Engineering Pty Ltd. This company specialises in steelwork fabrication specific to the tower crane industry as well as offering professional rigging services. The addition of this business has addressed and rectified some operational difficulties experienced within Econ earlier in the year.








SECA

MANAGING DIRECTOR'S REPORT
continued

Strengthened presence in New South Wales

Since balance date, we also completed the acquisition of Fire Up Cranes and Rigging Pty Ltd, a Sydney based tower crane and hoist company. New South Wales is the largest state in terms of construction activity in Australia. A priority of Verticon's strategy has been to gain a presence in New South Wales. This acquisition gives Verticon an excellent foundation in this state upon which it can grow organically and make further acquisitions.

Lowered average age of fleet and entered New Zealand market

We continued our organic growth of both the Queensland and Victorian divisions by purchasing 11 tower cranes and 1 hoist during the period. These purchases assisted us in lowering the average age of our crane fleet from 13 years to 12 years. Four of these cranes purchased were in New Zealand which gave us an entry into this market.

Secured Australian distribution rights for tower cranes

We also focussed on selling equipment to builders who prefer to own their own rather than hire. To assist with this initiative, we secured the Australian distribution rights for Comedil tower cranes. Comedil is a highly regarded Italian manufacturer of tower cranes and is part of the worldwide TEREX group. Our superior buying power enabled us to purchase cranes and hoists specifically for resale to various builders.

Improved utilisation rates

One of the key drivers in our business is the utilisation rate of our equipment. In the Queensland division we achieved an utilisation rate of 74% for the period. In Victoria, the utilisation rate was at 50% which meant for the period that only half of our cranes were erected and on hire.

Measures were taken to rectify the issues in the Victorian division, which have been successful. We are pleased to advise that by August 2005, a 71% utilisation rate was achieved with the acquisition of major new construction customers. This gives us confidence that the problems we experienced in this area are behind us.

Smooth integrations

Maintaining a private company culture within a public company can be challenging. In overlaying reporting and accounting requirements, it was essential that we maintained the excellent interface between customers and the company. Consequently, we have successfully integrated two privately run businesses into the public company environment and managed to ensure that the entrepreneurial spirit that founded the businesses has been kept intact.

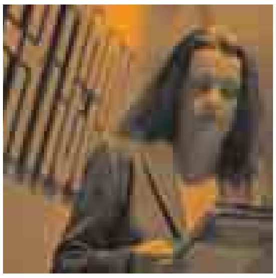
BUILDING A STRONG TEAM

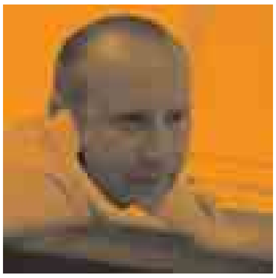
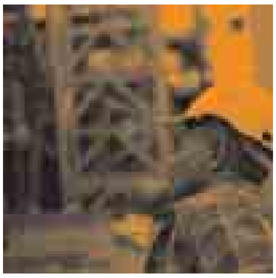
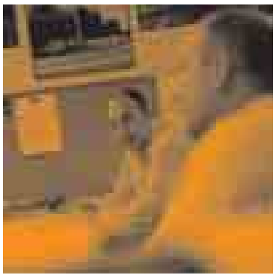
Verticon consists of over 200 employees who all have an important role to play in the success of the company. We are continually ensuring that we have the right people with the right skills, undertaking the right tasks.

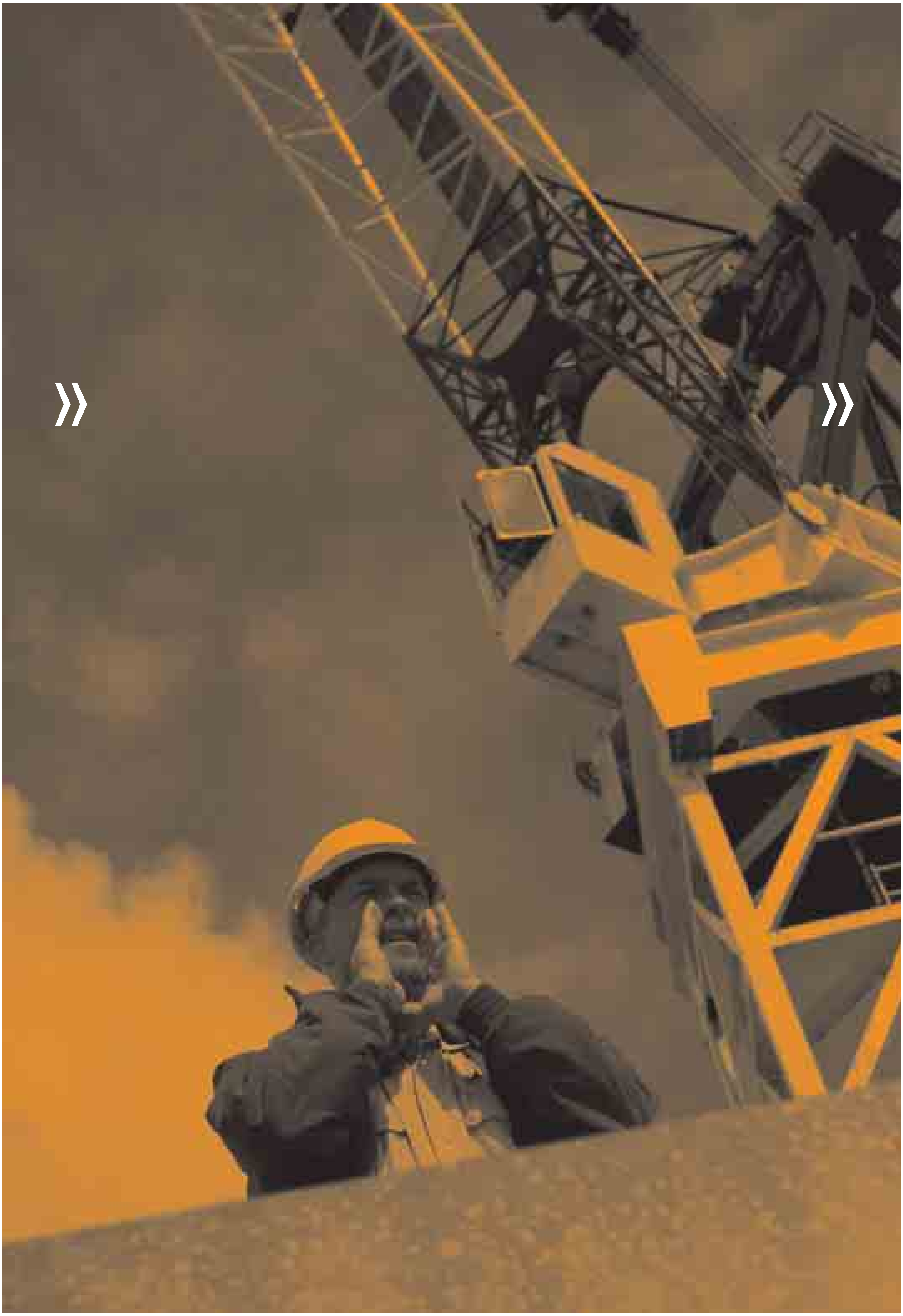
This has meant some management changes over the period. We have brought new people into the company who can add value and share their skills and experience with other employees.

Consequently, we now have a wider skills base within the company, which will ensure a more efficient operation and better customer service.

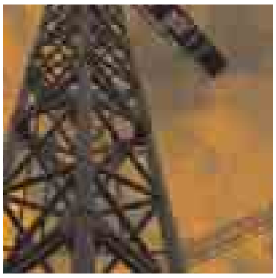
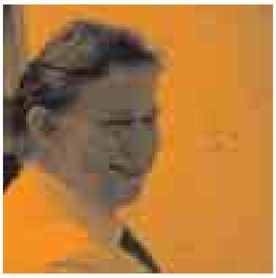
I take this opportunity to thank each and every employee in the company for their contribution.








MANAGING DIRECTOR'S REPORT
continued

FUTURE OUTLOOK

Verticon is well positioned for the future. We are the largest tower crane operator in Australia and are well on the way to achieving national coverage.

Our Queensland division should continue to perform well as the construction activity in the state is forecast to remain at its current levels for the foreseeable future. There is excellent potential to expand our operations into the Far North Queensland market.

We have rectified the issues in the Victorian division with positive results already evident; so we are now well placed to take advantage of future activity that is already emerging in the state, such as the increase in office and infrastructure projects. We will continue our organic growth strategy by extending the Victorian coverage into South Australia and Western Australia to increase our national service offering.

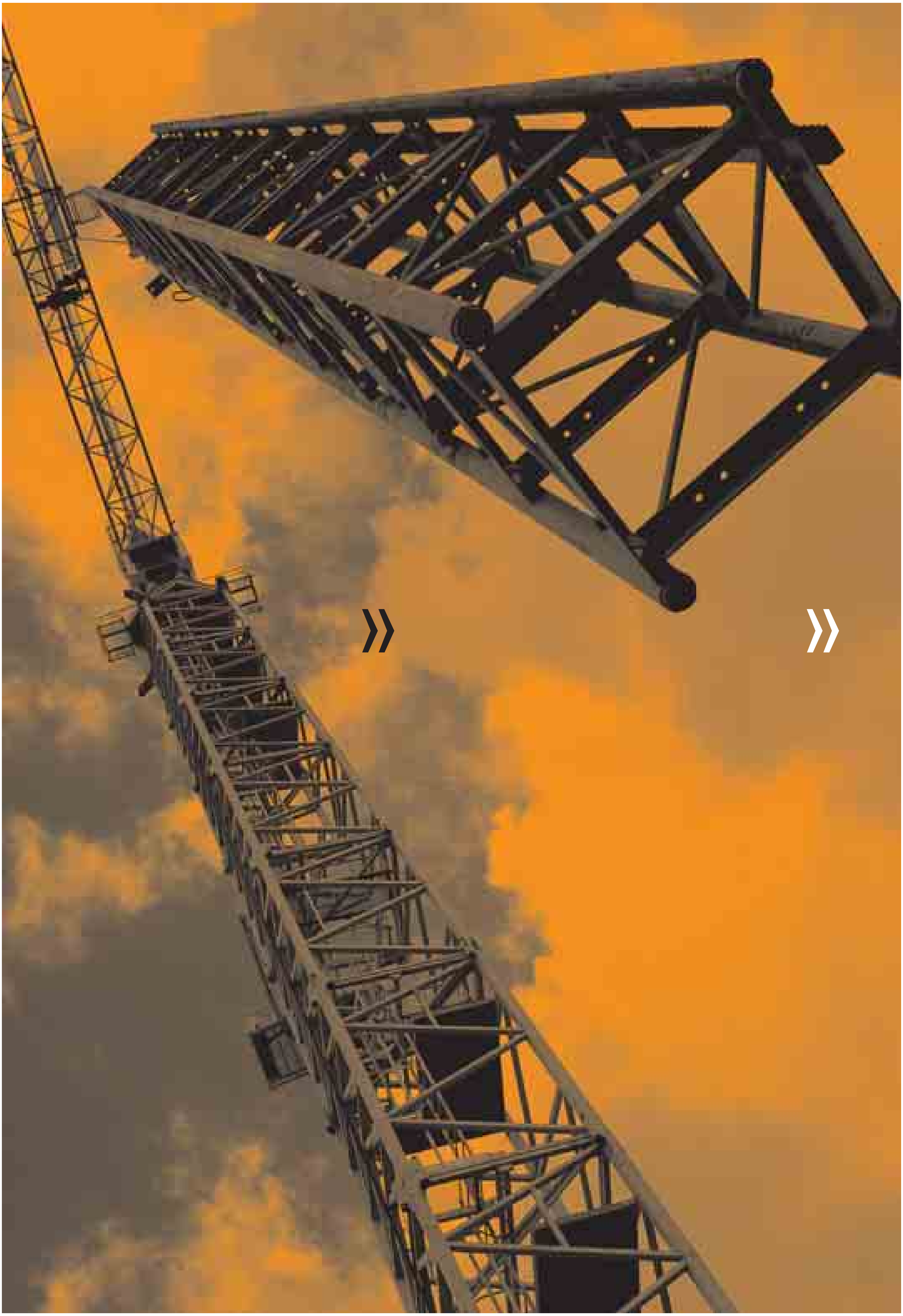
New South Wales is the largest state in Australia in terms of construction activity, with particularly strong levels in hotel and office development. Now we have secured a base within the state, we are able to deliver full east coast coverage in this robust market.

Part of our future strategy is to expand our offering from tower cranes and hoists to mobile cranes and we are looking closely at this sector for suitable opportunities.

Industry awareness of the Verticon Group is increasing and the level of enquiries for 2005 has been higher than in 2004.

As we continue our organic growth, develop alliances with major construction companies and look for suitable acquisition opportunities, Management is confident that the company is well placed to deliver strong results in 2006.

Mark Kevin
Managing Director



VERTICON GROUP BOARD OF DIRECTORS

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.

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 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.

DENIS TOMASEL
Executive Director

Denis obtained a Civil Engineering Degree and Diploma of Education from the University of Queensland. Before entering the crane industry, he worked in numerous areas of civil engineering, including in the public works department, and on the subway systems in Hong Kong.

Denis is highly respected for his expertise and achievements within the tower crane hire industry.

Michael Butler
Mark Kevin
David Wieland

David Goldberger
Denis Tomasel

DIRECTORS' REPORT

Your Directors present their report on Verticon Group Limited for the period ended 30 June 2005.

DIRECTORS

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

Mr Michael Butler
Appointed 17 November 2004

Mr David Goldberger
Appointed 18 October 2004

Mr Mark Kevin
Appointed 18 October 2004

Mr Denis Tomasel
Appointed 17 November 2004

Mr David Wieland
Appointed 18 October 2004

PRINCIPAL ACTIVITIES

The principal activity of the Company during the period was the hire and sale of tower cranes and hoists.

There were no significant changes in the nature of the Company's principal activities during the period.

BACKGROUND INFORMATION

This is Verticon Group Limited's first financial report prepared for the market pursuant to the initial public offering (IPO) through the Prospectus dated 17 November 2004 and subsequent listing on 17 December 2004. The Prospectus contained information about the Company and the IPO.

Financial information disclosed in this report contains the statutory results for the period ended 30 June 2005 and does not include proforma adjustments set out in the Prospectus dated 17 November 2004.

OPERATING RESULTS

The profit of the Company after providing for income tax amounted to $4,485,807 (Prospectus: $4,900,000).

DIVIDENDS

The dividend to be paid for the period ended 30 June 2005 will be 4.5 cents per share fully franked. This is 0.5 cents higher than the dividend forecast in the Prospectus.

The record date for the dividend will be 6 October 2005 and the anticipated payment date 21 October 2005.

As detailed in the Prospectus, it is the current intention of the Directors to make regular, half yearly dividend payments. These dividends will be franked to the fullest extent possible.

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

REVIEW OF OPERATIONS

Verticon successfully listed on the ASX on 17 December 2004 and raised $50 million to purchase the two foundation businesses – Seca in Queensland and Econ in Victoria.

Turnover for the period was $24.3 million compared to Prospectus forecast of $25.1 million.

The Seca business in Queensland performed well and achieved targeted results for the period. The Econ business in Victoria performed poorly as a result of four crane contracts not materialising in the early part of 2005. The operations of Econ required improvements and this led to management changes within the business.

In addition to rental income from hire of tower cranes and hoists, revenues from sale of equipment also occurred during the period. Sales to builders who want to own their equipment were expanded. To assist this initiative, the Comedil crane distributorship was secured for Australia.

Verticon also completed three acquisitions during the period:

» the purchase of the crane operation from Eltrax which is a Victorian based formwork company.

» the purchase of GFB Engineering which specialise in steel fabrication and rigging services relating to the tower crane and hoist industry.

» the purchase of four tower cranes from New Zealand based Works Infrastructure to give Verticon an entry into the New Zealand market.

A dividend of 4.5 cents per share will be paid compared to Prospectus forecast of 4.0 cents per share. This represents a payment ratio of approximately 63% of profit after tax.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Verticon Group Limited was incorporated on 15 October 2004. A Prospectus to raise $50 million was issued on 17 November 2004. The $50 million raised was used to purchase the tower crane and hoist hire businesses of Seca and Econ Construction Equipment and to fund the cost of issuing the Prospectus and listing onto the ASX on 17 December 2004.

Since listing on the ASX, Verticon has acquired a number of small businesses, the details of which are provided in note 6 to the financial statements.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Since period end, the Directors have recommended the payment of a final dividend of 4.5 cents per fully paid ordinary share, fully franked based on tax paid of 30%. The aggregate amount of the proposed dividend expected to be paid on 21 October 2005 out of retained profits at 30 June 2005, but not recognised as a liability at period end, is $2.817 million.

The Directors are not aware of any other matter or circumstance that has occurred after 30 June 2005 that has significantly affected, or may significantly affect, the operations of Verticon, the results of those operations or state of affairs of the Company in future financial years.

FUTURE DEVELOPMENTS

Verticon's business plan is to grow the business by appropriate acquisitions. A disclosure on future acquisitions has not been included as this would be unreasonably prejudicial to the interests of the Company.

Verticon will also continue to grow by organic growth of the existing businesses.

Verticon also plans to make the businesses more efficient and has two such projects planned for FY06:

- Consolidate the five yards currently used by Seca in Brisbane to one yard capable of combining the total operation.
- Implement a new accounting system across the business to streamline the account functions in the Company.

ENVIRONMENTAL ISSUES

Verticon Group Limited's operations are confined within Australia and New Zealand.

The operations of Verticon Group Limited are covered by a range of environmental laws from either Commonwealth or State and Territorial legislation.

The laws that affect our operations and contracts have been covered by our customers' own risk analysis and their management systems. However, Verticon Group Limited's normal operations and work procedures utilise existing management systems and relevant permits, job safety analysis (completed for every hire arrangement) and close supervision to ensure that activities comply with all relevant environmental legislation.

INFORMATION ON DIRECTORS

Michael Butler BSc, MBA, FAICD

Chairman – Non Executive. Age 50.

Experience and expertise
Independent non executive director and Chairman. Extensive experience in financial services, mining and business services.

Other current directorships of listed companies
Non executive director of three public companies: AXA Asia Pacific Holdings Limited (director since 2003), Ticor Limited (since May 2004) and Baxter Group Limited (since May 2004).

Former directorships of listed companies in last three years
Non executive director and chairman of Hamilton Island Limited from 1996 to 2004.

Non executive director and chairman of Ausdoc Group Limited from 1992 to 2002.

Non executive director of ICE Corporation Limited from 2001 to 2003.

Special responsibilities
Chairman of the Board.

Member of the Audit and Risk Committee.

Interests in shares and options
120,000 ordinary shares in Verticon Group Limited.

Mark Kevin B. Comm

Managing Director. Age 47.

Experience and expertise
Chief executive of Liberty Oil Pty Ltd from 1997 to 2004. Extensive experience in oil industry and property development.

Other current directorships of listed companies
None.

Former directorships of listed companies in last three years
None.

Special responsibilities
Managing Director.

Member and chairman of Occupational Health, Safety and Environmental Committee.

Member and chairman of Nomination Committee.

Interests in shares and options
34,166 ordinary shares.

400,000 options (not yet vested) over ordinary shares in Verticon Group Limited.

David Wieland

Non Executive Director. Age 60.

Experience and expertise

Extensive experience in petrol retailing, property development and construction.

Other current directorships of listed companies
None.

Former directorships of listed companies in last three years
None.

Special responsibilities
Member and chairman of the Audit and Risk Committee.

Member and chairman of Occupational Health, Safety and Environmental Committee.

Member and chairman of Remuneration Committee.

Member of Nomination Committee.

Interests in shares and options
Director of Taraville Pty Ltd which holds 14,618,333 ordinary shares in Verticon Group Limited.

David Goldberger
Non Executive Director. Age 57.

Experience and expertise
Extensive experience in petrol retailing, property development and construction.

Other current directorships of listed companies
None.

Former directorships of listed companies in last three years
None.

Special responsibilities
Member of the Audit and Risk Committee.

Member of Occupational Health, Safety and Environmental Committee.

Member of Remuneration Committee.

Member of Nomination Committee.

Interests in shares and options
Director of Taraville Pty Ltd which holds 14,618,333 ordinary shares in Verticon Group Limited.

Denis Tomasel B. Eng, Dip Ed, IEA
Executive Director. Age 54.

Experience and expertise
Denis was one of the principals of Seca Cranes. Denis has over 20 years' experience in tower cranes.

Other current directorships of listed companies
None.

Former directorships of listed companies in last three years
None.

Special responsibilities
None.

Interests in shares and options
2,487,166 ordinary shares in Verticon Group Limited.

Company Secretary
The company secretary is Peter Cooper B.Ec CPA. Peter was appointed to the position of company secretary in 2004. Before joining Verticon Group Limited, Peter worked for Repco Corporation Limited as Group Treasurer and Risk Manager for five years and prior to that worked for AXA – Asia Pacific Holdings Limited in a number of senior accounting and group finance roles.

MEETING OF DIRECTORS
The numbers of meetings of the Company's Board of Directors and each board committee held during the period ended 30 June 2005, and the numbers of meetings attended by each Director were:

	Full meetings of directors		Meetings of committees					
			Audit		OH and S		Remuneration	
	A	B	A	B	A	B	A	B
M Butler	9	9	2	2				
D Goldberger	10	10	2	2	1	1	1	1
M Kevin	10	10			1	1		
D Tomasel	9	9						
D Wieland	10	10	2	2	1	1	1	1

A = Number of meetings attended
B = Number of meetings held during the time the director held office or was a member of the committee during the year
* The nomination committee did not meet in the period 30 June 2005

REMUNERATION REPORT

The remuneration report is set out under the following headings:

A. Principles used to determine the nature and amount of remuneration

B. Details of remuneration

C. Service agreements

D. Share based compensation

A. Principles used to determine the nature and amount of remuneration

The Remuneration Committee, consisting of two Directors, advises the Board on remuneration policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive Directors, other senior executives and non executive Directors.

Executive remuneration and their terms of employment will be reviewed annually by the committee having regard to performance against pre-agreed objectives, relevant comparative information and independent expert advice.

Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the various parts of the business.

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

B. Details of remuneration

Details of the nature and amount of each element of the emoluments of each Director of Verticon Group Limited and each of the five officers of the Company receiving the highest emoluments are set out in the following tables.

Directors	Primary Cash salary and fees $	Primary Non monetary benefits $	Post-employment Super-annuation $	Equity Shares $	Equity Options $	Total $
Michael Butler	67,822	–	–	–	–	67,822
Mark Kevin	184,068	17,855	16,477	1,000	19,535	238,935
Denis Tomasel	74,473	1,741	92,523	2,501,000**	–	2,669,737
David Wieland*	–	–	–	–	–	0
David Goldberger*	–	–	–	–	–	0
Total	**326,363**	**19,596**	**109,000**	**2,502,000**	**19,535**	**2,976,494**

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

** On 13 December 2004, a private company, Deenford Pty Ltd, associated with Mr Denis Tomasel, a principal of the Seca Cranes group, was granted 2,083,333 shares in connection with his continuing employment with Verticon Group Limited following the sale of the Seca Cranes business to Verticon Group Limited. The shares are escrowed until the annual results for Verticon Group Limited for the year ending 30 June 2006 are released to the Australian Stock Exchange. The shares were valued at $2,500,000.

Executives	Primary Cash salary and fees $	Primary Non monetary benefits $	Post-employment Super-annuation $	Equity Shares $	Total $
Peter Cooper	65,810	7,198	34,874	1,000	108,882
Rodney Samimi	44,611	3,146	4,015	–	51,772
Stephen Gunn	26,048	1,716	89,508	2,501,000**	2,618,272
Charles Abela	115,276	–	11,829	1,000	128,105
Leon Key	25,000	–	–	–	25,000
Total	**276,745**	**12,060**	**140,226**	**2,503,000**	**2,932,031**

** On 13 December 2004, a private company, Emadale Pty Ltd, associated with Mr Stephen Gunn, a principal of the Seca Cranes group, was granted 2,083,333 shares in connection with his continuing employment with Verticon Group Limited following the sale of the Seca Cranes business to Verticon Group Limited. The shares are escrowed until the annual results for Verticon Group Limited for the year ending 30 June 2006 are released to the Australian Stock Exchange. The shares were valued at $2,500,000.

C. Service agreements

Remuneration and other terms of employment for the Managing Director and the specified executives are formalised in service agreements. Each of these agreements provides for the provision of superannuation and motor vehicle allowances.

M B Kevin, Managing Director

- Term of agreement – five years commencing 17 November 2004.
- Base salary, inclusive of superannuation, for the period ended 30 June 2005 of $200,545, to be reviewed annually by the Remuneration Committee.
- Car allowance provided.
- Termination of contract is subject to six months' notice by either party. No termination benefits are payable on expiry or early termination of contract.

P Cooper, Chief Financial Officer

- Term of agreement – five years commencing 18 November 2004.
- Base salary, inclusive of superannuation, for the period ended 30 June 2005 of $100,684, to be reviewed annually by the Remuneration Committee.
- Car allowance provided.
- Termination of contract subject to six months' notice by either party. No termination benefits are payable on expiry or early termination of contract.

D M Tomasel, Director

- Term of agreement – five years commencing 13 December 2004, comprising an initial term of two years, transition period of one year and a consultancy period of two years.
- Base salary, inclusive of superannuation, for the period ended 30 June 2005 of $166,996, to be reviewed annually by the Remuneration Committee.
- Payment of annual performance bonus based on the achievement of annual targets agreed with the Managing Director.
- Car allowance provided.
- Termination of contract subject to six months' notice by either party. No termination benefits are payable on expiry or early termination of contract.
- Five year non compete clause restricting concern and interest in any business or activity that is the same or similar to, or competitive with, the business carried on by Verticon Group Limited.

S J Gunn, Equipment Manager, Seca Cranes

- Term of agreement – five years commencing 13 December 2004, comprising an initial term of two years, transition period of one year and a consultancy period of two years.
- Base salary, inclusive of superannuation, for the period ended 30 June 2005 of $115,556, to be reviewed annually by the Remuneration Committee.
- Car allowance provided.
- Termination of contract subject to six months' notice by either party. No termination benefits are payable on expiry or early termination of contract.
- Five year non compete clause restricting concern and interest in any business or activity that is the same or similar to, or competitive with, the business carried on by Verticon Group Limited.

R Samimi, General Manager, Seca Cranes

- Term of agreement – five years commencing 18 April 2005.
- Base salary, inclusive of superannuation, for the period ended 30 June 2005 of $48,626, to be reviewed annually by the Remuneration Committee.
- Car allowance provided.
- Termination of contract subject to six months' notice by either party. No termination benefits are payable on expiry or early termination of contract.

L Key, General Manager, Verticon Victoria

- Term of agreement – currently under review.
- Base salary, inclusive of superannuation, for the period ended 30 June 2005 of $25,000, to be reviewed annually by the Remuneration Committee.
- Car allowance provided.
- Termination of contract subject to six months' notice by either party. No termination benefits are payable on expiry or early termination of contract.

C Abela, Equipment Manager, Verticon Victoria

- Term of agreement – five years commencing 14 December 2004.
- Base salary, inclusive of superannuation, for the period ended 30 June 2005 of $127,105, to be reviewed annually by the Remuneration Committee.
- Car allowance provided.
- Termination of contract subject to six months' notice by either party. No termination benefits are payable on expiry or early termination of contract.
- Five year non compete clause restricting concern and interest in any business or activity that is the same or similar to, or competitive with, the business carried on by Verticon Group Limited.

D. Share-based compensation

The terms and conditions of each grant of options affecting remuneration in this or future reporting periods are as follows:

Grant date	Expiry date	Exercise price	Value per option at grant date	Date exercisable
10 December 2005	23 December 2009	$1.20	$0.06	August 2005 (100,000 options)
10 December 2005	23 December 2009	$1.20	$0.12	August 2006 (150,000 options)
10 December 2005	23 December 2009	$1.20	$0.09	August 2007 (150,000 options)

Options are granted under the Director/Executive Option Plan which was approved by the Company in a general meeting. Under this Plan, the Board may offer Directors and senior executives of the Company options which may be exercised for new shares. The Board has the discretion to set the issue price, exercise price and other conditions applying to the options.

As at reporting date, options have been granted to Mark Kevin for a five-year period. The vesting dates for each tranche is disclosed above and is dependent on the achievement of hurdles being met.

When exercisable, each option is convertible into one ordinary share on the day of announcement to the Australian Stock Exchange of the financial results for financial years 2005, 2006 and 2007.

Share-based compensation – Executive Share Plan

During the period the Company issued 2,083,333 shares to each of Deenford Pty Ltd (a company associated with Mr Denis Tomasel, Director), and Emadale Pty Ltd (a company associated with Mr Stephen Gunn, specified executive), as disclosed in the Prospectus dated 17 November 2004.

The shares were issued under and are subject to the Executive Share Plan. The aggregate fair value of the shares issued was $5,000,000, determined by reference to the market price at the date of issue.

The shares are escrowed until the annual results for Verticon Group Limited for the year ending 30 June 2006 are released to the Australian Stock Exchange.

Share-based compensation – Employee Share Scheme

The following Directors and specified executives of Verticon Group Limited participated in the Company's employee share scheme on 17 December 2004 to accept shares on offer at the time of the acquisition of Seca Cranes and Econ Constructions.

Name	Number of shares granted	Value of shares granted ($)
Mark Kevin	833	1,000
Peter Cooper	833	1,000
Denis Tomasel	833	1,000
Stephen Gunn	833	1,000
Charles Abela	833	1,000

Equity instrument disclosures relating to Directors and Executives

Options provided as remuneration

Details of options over ordinary shares in the Company provided as remuneration to each Director of Verticon Group Limited is set out below. The specified Executives of the Company were not provided with options as remuneration. When exercisable, each option is convertible into one ordinary share of Verticon Group Limited. Further information on the options is set out in note 25 of the financial report.

Name	Balance at the start of the period	Granted during the period as remuneration	Exercised during the period	Other changes during the period	Balance at the end of the period	Vested and exercisable at the end of the period
Directors of Verticon Group Limited						
Mark Kevin	nil	400,000	nil	nil	400,000	nil

Share holdings
The numbers of shares in the Company held during the financial period by each Director of Verticon Group Limited and each of the five specified Executives of the Company, including their personally related entities, are set out below:

Name	Balance at start of the period	Changes during the period	Balance at the end of the period
Directors of Verticon Group Limited			
Ordinary shares			
Michael Butler	0	120,000	120,000
Mark Kevin	0	34,166	34,166
Denis Tomasel	0	2,487,166	2,487,166
David Wieland*	1	14,618,332	14,618,333
David Goldberger*	1	14,618,332	14,618,333

* Directors of Taraville Pty Ltd. Taraville Pty Ltd holds a total of 14,618,333 shares in Verticon Group Limited.

Name	Balance at start of the period	Changes during the period	Balance at the end of the period
Specified executives of the Company			
Ordinary shares			
Peter Cooper	0	40,833	40,833
Rodney Samimi	0	0	0
Stephen Gunn	0	2,534,166	2,534,166
Charles Abela	0	1,500,833	1,500,833
Leon Key	0	10,309	10,309

Employee superannuation
The Company currently contributes the 9% superannuation guaranteed amount as required by existing superannuation legislation to all employees including the Managing Director and specified executives, in accordance with their service agreements.

Employee awards
Verticon Group Limited currently operates under the following awards:

- CFMEU National Building and Construction Industry Award 2000 (Cwlth)
- Metal, Engineering and Associated Industries Award 1998 (Cwlth)
- Mobile Crane Hiring Award 2002 (Cwlth)
- National Building and Construction Industry Award 2000 (Cwlth)
- National Electrical, Electronic and Communications Contracting Industry Award 1998 (Cwlth)
- Building Trades Public Sector Award (Qld) 2002
- Building Construction Award (Qld) 2003
- Building Construction Award (NSW) 2002
- Electrical Contracting Award (Qld) 2003
- Electrical Contracting Industrial Award (Qld) 2002
- Electrical Contracting Industrial Award (NSW) 2002

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

Insurance policies insure persons who are Directors or officers of the Company against certain liabilities incurred as such by a Director or Officer, while acting in that capacity, except where liability arises out of conduct involving lack of good faith. The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the insurance polices, since disclosure is prohibited under the terms of the insurance contacts.

Managing Director's and Chief Financial Officer's declaration
The Managing Director and Chief Financial Officer have given a declaration to the Board concerning the Company's financial statements under section 295A (2) of the *Corporations Act 2001* (Cwlth) and Recommendations 4.1 and 7.2 of the ASX Corporate Governance Council Principals of Good Corporate Governance and Best Practice Recommendation.

The declarations made to the Board regarding the integrity of the financial statements, are founded on the existing system of risk management and internal compliance and control system of the Company of the period ended 30 June 2005.

Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company, to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of these proceedings. The Company was not a party to any such proceedings during the period.

Non-audit services

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

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the period are set out below.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* (Cwlth). The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* (Cwlth) for the following reasons:

» all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor; and

» none of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or a decision making capacity of the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

A copy of the Auditors' Independence Declaration as required under section 307C of the *Corporations Act 2001* (Cwlth) is set out on page 21.

During the period the following fees were paid for services provided by the auditor of Verticon Group Limited and non-related audit firms:

	2005 $
Assurance services	
1. Audit services	
Fees paid to PricewaterhouseCoopers Australian firm:	
Audit and review of financial reports and other audit work under the *Corporations Act 2001* (Cwlth)	110,000
Total remuneration for audit services	**110,000**
2. Other assurance services	
Fees paid to PricewaterhouseCoopers Australian firm:	
Due diligence services	25,000
Investigating accountant services for IPO	727,686
AIFRS accounting services	8,194
Fees paid to non PricewaterhouseCoopers firms for other assurance services	83,393
Total remuneration for other assurance services	**844,273**
Total remuneration for assurance services	**954,273**
Taxation services	
Fees paid to PricewaterhouseCoopers Australian firm:	
Tax compliance services	7,800
Total remuneration for taxation services	**7,800**

Rounding of amounts
The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

Auditor
PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001* (Cwlth).

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

Signed in accordance with a resolution of the Directors.

Michael Butler
Chairman

Melbourne

18 August 2005

Mark Kevin
Managing Director

Melbourne

18 August 2005

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

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2 Southbank Boulevard
SOUTHBANK VIC 3006
GPO Box 1331L
MELBOURNE VIC 3001
DX 77
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Telephone 61 3 8603 1000
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AUDITORS' INDEPENDENCE DECLARATION

As lead auditor for the audit of Verticon Group Limited for the period ended 30 June 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 audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

Chris Dodd
Partner
PricewaterhouseCoopers

Melbourne

18 August 2005

CORPORATE GOVERNANCE STATEMENT

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 setting and performance monitoring.

This statement sets out the corporate governance practices that were established during the period ended 30 June 2005 being the first period since the Company was formed. During this period the Company listed on the Australian Stock Exchange (ASX) on 17 December 2004. Any instances of non-compliance with the Best Practice Recommendations of the ASX Corporate Governance Council are noted.

The role of the Board includes:

- guiding and approving strategic direction and business planning;
- monitoring business performance against agreed benchmarks;
- ensuring the effectiveness of internal controls and business risk management;
- appointing and monitoring the performance of the Company's Managing Director;
- ensuring the Company complies with its responsibilities under the Corporations Act, the ASX Listing Rules, the Company's Constitution and other relevant laws.

STRUCTURE AND COMPOSITION OF THE BOARD

The names of the Directors of the Company at the date of this statement are included in the Directors' Report.

The Board comprises five directors, two executive directors (the Managing Director and the executive director of Seca) and three non executive directors. Two of the non executive directors are assessed as not being independent due to a significant shareholding in Verticon Group Limited. The Chairman is a non executive independent director and there is a clear separation of responsibility between the Chairman and the Managing Director.

The criteria for assessing whether a director is independent are as follows:

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

Despite not having a majority of independent directors, the Board believes its level of broad management skill and experience, financial skill and deep understanding of the construction industry allow it to guide and direct the Company in an appropriate manner. It is the Board's intention to appoint another independent Director in the current financial year.

Prior to listing on the ASX on 17 December 2004 the Board established an Audit and Risk Committee, Occupational Health, Safety and Environmental Committee, Nomination Committee and a Remuneration Committee.

Each committee has a charter which is published on the Company's website. The number of meetings held and directors' attendances are disclosed in the Directors' Report on page 14.

Under the Constitution of the Company the non executive directors are appointed for a three year term and, upon expiry of the term are entitled to stand for re-election at the relevant Annual General Meeting. The only exception to the three year term is in the first year of the Company whereby the term of the directorship expires at the first annual general meeting. This applies to all directors except the Managing Director.

The four directors whose term expires at the first Annual General Meeting have offered themselves for re-election at the first Annual General Meeting.

ETHICAL STANDARDS AND CODE OF CONDUCT

The Company endorses the need for all directors, managers and staff to maintain a high standard of behaviour and carry out day to day business in an ethical manner.

The Board has a responsibility for developing and monitoring:

- expectations regarding ethical conduct;
- when directors can deal in securities and notification of such dealing;
- procedures to be adopted in respect of potential conflicts of interest.

During the period the Company has released policies in relation to workplace conduct of employees, health and safety and trade practices compliance. Prior to listing on the ASX, the Board had adopted a policy for directors and senior executives dealing in securities.

A formal code of conduct is currently being developed and will be published once completed.

FINANCIAL REPORTING AND AUDIT AND RISK COMMITTEE

The Managing Director and Chief Financial Officer, have stated in writing to the Board:

- that the Company's financial statements for the period ended 30 June 2005 give a true and fair view, in all material respects of the Company's operating results and financial condition and have been prepared in accordance with relevant standards; and
- that the integrity of the financial statements is founded on a sound system of risk management and internal compliance which implements the policies adopted by the Board; and
- that company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

The Audit and Risk Committee was established prior to the listing of the Company on the ASX on 17 December 2004.

The members of the Audit and Risk Committee comprise only non executive directors of which two members are not independent. The chairman of the Audit and Risk Committee is not the chairman of the Board. The members of the committee are:

- David Wieland (chairman)
- David Goldberger
- Michael Butler

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

The formal charter of the Audit and Risk Committee includes the following roles and responsibilities:

- reviewing the Company's financial control practices and evaluating the effectiveness of those practices;
- monitoring the integrity of the Company's financial statements;
- making recommendations in relation to the nomination and remuneration of external auditors;
- 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).

The number of meetings of the Audit and Risk Committee and the members' attendance is disclosed in the Directors' Report on page 14.

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

TIMELY AND BALANCED DISCLOSURES

The Managing Director and Chief Financial Officer are responsible for ensuring that the ASX disclosure rules are fully complied with. The Board, on a regular basis, makes enquiries of senior management to ensure that the Company's obligations in relation to continuous disclosure have been met.

The formal policy on continuous disclosure will be released at the same time as the release of the code of conduct.

SHAREHOLDER COMMUNICATION AND PARTICIPATION

The Company is committed to keeping shareholders fully informed of developments and information concerning the Company.

To facilitate communications the Company has developed a website, www.verticon.com.au, on which shareholders can view company announcements, company financial reports, company policies and practices and the charters of the Board and the various board committees. The Company is in the early stages of development of a program designed to keep shareholders regularly informed about the Company's activities.

The Board will be encouraging shareholders to attend and participate in the inaugural Annual General Meeting, to be held on Tuesday 8 November at The Carlton Crest Hotel, 65 Queens Road Melbourne, at 11.00am and subsequent meetings where shareholder participation is required.

RISK OVERSIGHT AND MANAGEMENT

As described above, the Board has established an Audit and Risk Committee which has the responsibility to review significant areas of risk and to monitor the effectiveness of internal control and compliance.

The risk management committee and the Board are regularly kept updated as to risk management and risk mitigation activities that occur throughout the Company.

During the period a comprehensive risk analysis of the Company was completed from which a risk framework and risk management program will be developed. This program will be monitored by the Audit and Risk Committee.

ENHANCING PERFORMANCE

A review of the Board and senior executives has not yet taken place as the Company is still in its first year of operation.

It is the Chairman's intention to review the performance of each Director and the Board as a whole. This review will be conducted each year in August with the first review before the 2006 Annual General Meeting. The evaluation process will be published on the Company's website.

REMUNERATION PRACTICES

The Board established the Remuneration Committee prior to the 17 December 2004 listing on the ASX.

The committee is comprised of two non executive, though non independent, directors being:

» David Wieland (chairman)
» David Goldberger

As mentioned above, both directors have chosen to forgo fees in relation to the services they provide to the Company as directors.

The charter of the Remuneration Committee includes:

» Reviewing and making recommendations to the Board on remuneration packages and policies applicable to directors, senior executives company employees generally.

The remuneration of Directors and the five senior executives of the Company are set out on page 15 in the Directors' Report. The disclosure sets out the salary, bonus entitlements, non-cash benefits, retirement benefits and equity related components of salary.

The remuneration of non executive directors is clearly distinguished from the Managing Director's remuneration.

Non executive directors receive remuneration based on salary and superannuation and exclude any remuneration related to bonus payments or options.

ALL STAKEHOLDER INTERESTS

The Company is aware of its legal and other obligations to a range of various stakeholders.

The Company intends to establish a corporate code of conduct and will release and publish the corporate code of conduct in conjunction with the personal code of conduct that is currently being developed.

FINANCIAL STATEMENTS

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

Level 4
564 St Kilda Road
Melbourne Victoria 3004

A description of the nature of the Company's operations and its principal activities is included in the Directors' Report on pages 12 to 20, which are not part of this financial report.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete, and available globally at minimum cost to the Company. All press releases, financial reports and other information are available on our website: www.verticon.com.au.

For queries in relation to our reporting please call (03) 9521 7755 or e-mail verticon@verticon.com.au.

STATEMENT OF FINANCIAL PERFORMANCE

For the period 15 October 2004 to 30 June 2005

	Notes	15 October 2004 to 30 June 2005 $'000
Revenue from operating activities		24,295
Revenue from outside the operating activities		146
Revenue from ordinary activities	3	**24,441**
Employee benefits expense		(11,177)
Depreciation and amortisation expenses	4	(1,712)
Borrowing costs expense	4	(256)
Equipment hire and consumables used		(1,217)
Cost of goods sold		(1,281)
Subcontractors		(1,179)
Other expenses from ordinary activities		(1,549)
Profit from ordinary activities before related income tax expense		**6,070**
Income tax expense	5	(1,584)
Profit from ordinary activities after related income tax expense		**4,486**
Net profit	22	**4,486**
Total revenues, expenses and valuation adjustments attributable to members of Verticon Group Limited and recognised directly in equity		–
Total changes in equity attributable to members of Verticon Group Limited other than those resulting from transactions with owners as owners		**4,486**

		Cents
Basic earnings per share	34	9.0

The above statement of financial performance should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

as at 30 June 2005

	Notes	2005 $'000
Current assets		
Cash assets	7, 24	715
Receivables	8, 24	9,068
Inventories	9	215
Other	10	828
Total current assets		**10,826**
Non-current assets		
Property, plant and equipment	11	48,551
Deferred tax assets	12	193
Intangible assets	13	6,062
Total non-current assets		**54,806**
Total assets		**65,632**
Current liabilities		
Payables	14, 24	2,455
Interest bearing liabilities	15, 24	2,692
Current tax liabilities	16	811
Provisions	17	641
Total current liabilities		**6,599**
Non-current liabilities		
Interest bearing liabilities	18, 24	5,282
Deferred tax liabilities	19	662
Provisions	20	241
Total non-current liabilities		**6,185**
Total liabilities		**12,784**
Net assets		**52,848**
Equity		
Contributed equity	21	48,362
Retained profits	22	4,486
Total equity		**52,848**

The above statement of financial position should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

For the period 15 October 2004 to 30 June 2005

	Notes	15 October 2004 to 30 June 2005 $'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)		17,907
Payments to suppliers and employees (inclusive of GST)		(17,300)
Interest received		53
Borrowing costs		(509)
Net cash inflow from operating activities	32	**151**
Cash flows from investing activities		
Payment for acquisition of Seca	6	(40,174)
Payments for acquisition of Econ	6	(5,505)
Payments for acquisition of Eltrax crane operations	6	(2,815)
Payments for acquisition of GFB Engineering	6	(158)
Payments for acquisition of Works Infrastructure NZ crane operations	6	(1,165)
Payments for other acquisition costs		(175)
Payments for property, plant and equipment		(3,291)
Proceeds from sale of property, plant and equipment		16
Net cash outflow from investing activities		**(53,267)**
Cash flows from financing activities		
Proceeds from issues of shares		50,000
Share issue costs		(3,670)
Proceeds from borrowings		4,997
Repayment of borrowings		(62)
Net cash inflow from financing activities		**51,265**
Net decrease in cash held		**(1,851)**
Cash at the beginning of the financial period		–
Effects of exchange rate changes on cash		–
Cash at the end of the financial period	7	**(1,851)**
Financing arrangements	18	
Non-cash financing and investing activities	33	

The above statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

For the period 15 October 2004 to 30 June 2005

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial reporting framework

This general purpose financial report for the reporting period beginning 15 October 2004 (Verticon Group Limited's date of incorporation) and ended 30 June 2005 has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the *Corporations Act 2001*. Comparative information is not applicable.

It is prepared in accordance with the historical cost convention.

(a) Revenue recognition

Amounts disclosed as revenue are net of 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. Revenue is recognised for equipment sales when delivery of the equipment has taken place.

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.

(b) Receivables

Trade receivables and other receivables are recorded at amounts due less any provision for doubtful debts.

(c) Borrowing costs

Amounts disclosed as borrowing costs are recognised as an expense except to the extent that they relate to qualifying assets. Borrowing costs that relate to qualifying assets are recognised as part of the cost of the qualifying asset. Borrowing costs include:

- interest on bank overdrafts and short-term and long-term borrowings;
- costs incurred in connection with the arrangement of borrowings; and
- finance lease charges.

(d) 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. Where equity instruments are issued in an acquisition, the value of the instruments is their market price as at the acquisition date, unless the notional price at which they could be placed in the market is a better indicator of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Where an asset or operation is acquired and the fair value of the identifiable net assets acquired exceeds the cost of acquisition, the difference, representing a discount on acquisition, is accounted for by reducing proportionately the fair values of the non-monetary assets acquired until the discount is eliminated.

Goodwill is brought to account on the basis described in note 1(n).

(e) 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.

(f) 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, Hoists and Parts	5 to 25 years
Other Plant and Equipment	4 to 10 years
Motor Vehicles	5 to 15 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 spare parts purchased specifically for particular plant are capitalised and depreciated on the same basis as the plant to which they relate.

(g) Dividends

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

(h) 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 are 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 "Depreciation of property, plant and equipment" above. Other routine operating maintenance, repair and minor renewal costs are also charged as expenses as incurred.

(i) 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 of non-union 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.

(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 Executive Option Plan and an Employee and Executive Share Plan. Information relating to these Plans is set out in notes 25 and 29.

No accounting entries are made in relation to the Executive Option Plan until options are exercised, at which time the amounts receivable from executives are recognised in the statement of financial position as share capital. The amounts disclosed for remuneration of directors and executives in note 25 include the assessed fair values of options at the date they were granted.

(j) Foreign currency translation

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At balance date amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current at that date. Resulting exchange differences are recognised in determining the profit or loss for the period.

(k) Inventories

Inventories and work in progress are valued at the lower of cost and net realisable value.

(l) Leased non-current assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incident to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the interest expense.

The lease asset is amortised over the term of the lease, or where it is likely that Verticon Group Limited will obtain ownership of the asset, the life of the asset. Lease assets held at the reporting date are being amortised over a period of 20 years.

Operating lease payments are charged to the statement of financial performance in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

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

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

(n) Goodwill

Where an entity or operation is acquired, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of acquisition over the fair value of the identifiable net assets acquired is brought to account as goodwill and amortised on a straight-line basis over the period during which the benefits are expected to arise. This period has been determined as 20 years.

(o) Trade and other creditors

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.

(p) Interest bearing liabilities

Loans are carried at their principal amounts that represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and is recorded as interest expense.

(q) Cash

For purposes of the statement of cash flows, cash includes deposits at call with financial institutions and other highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

(r) Income tax

Tax effect accounting procedures are followed whereby the income tax expense in the statement of financial performance is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

(s) Earnings per share

(i) Basic earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the period.

(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.

(t) 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.

NOTE 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 tower cranes and hoists.

(b) Geographical segments

Verticon Group Limited operates in Australia and New Zealand. Operations are centred in Queensland and Victoria where the risks and returns are similar for the business segment in which the Company operates. New Zealand is managed as part of the Queensland fleet and is not considered a reportable segment at this time. The head office and investment activities of the Company take place exclusively in Victoria.

	2005 $'000

NOTE 3 REVENUE

Revenue from operating activities	
Equipment hire and associated services	21,659
Equipment sales and associated services	2,636
	24,295
Revenue from outside the operating activities	
Interest	53
Sale of non-current assets	93
	146
Revenue from ordinary activities	**24,441**

NOTE 4 PROFIT FROM ORDINARY ACTIVITIES

Net expenses	
Profit from ordinary activities before related income tax expense includes the following specific net expenses:	
Expenses	
Depreciation	
– plant and equipment	1,530
Total depreciation	1,530
Amortisation	
– goodwill	162
– deferred financing costs	20
Total amortisation	182
Other charges against assets	
– doubtful debts – trade debtors	84
Borrowing costs	
– interest and finance charges paid/payable	378
– finance lease finance charges	28
	406
Amount capitalised	(150)
Borrowing costs expensed	256
Rental expense relating to operating leases	
– minimum lease payments	171

NOTE 5 INCOME TAX

Income tax expense	
The income tax expense for the financial period differs from the amount calculated on the profit. The differences are reconciled as follows:	
Profit from ordinary activities before income tax expense	**6,070**
Income tax calculated at 30%	1,821
Tax effect of permanent differences:	
Non-deductible amortisation	41
Non-deductible entertainment	3
IPO costs deductible	(281)
Income tax adjusted for permanent differences	1,584
Income tax expense attributable to profit from ordinary activities	**1,584**

NOTE 6 ACQUISITIONS

The following business operations were acquired during the reporting period:

Acquisition of Seca Cranes

On 13 December 2004 Verticon Group Limited acquired the operations of Seca Cranes, a Queensland based tower crane hire company, for total consideration of $40.259 million as on page 34. The operating results of Seca Cranes have been included in the statement of financial performance since the date of acquisition.

Acquisition of Econ Constructions

On 14 December 2004 Verticon Group Limited acquired the operations of Econ Constructions, a Victorian based tower crane hire company, for consideration of $7.323 million as on page 34. The operating results of Econ Constructions have been included in the statement of financial performance since the date of acquisition.

Part of the acquisition consideration was the issuing of 1,500,000 ordinary shares at $1.20 which was equivalent to the issue price upon Verticon's initial public offer as per the Prospectus dated 17 November 2004.

Acquisition of Eltrax Crane Operations

On 28 April 2005 Verticon Group Limited acquired part of the internal tower crane operations of Eltrax Pty Ltd, a Victorian based construction company, for consideration of $2.895 million as on page 34. The operating results of the Eltrax crane operations have been included in the statement of financial performance since the date of acquisition.

Acquisition of NZ Crane Operations of Works Infrastructure

On 4 May 2005 Verticon Group Limited acquired the crane operations of Works Infrastructure, a New Zealand based construction company with internal tower crane services, for consideration of $1.165 million as on page 34. The operating results of the crane operations have been included in the statement of financial performance since the date of acquisition.

Acquisition of GFB Engineering

On 6 May 2005 Verticon Group Limited acquired the operations of GFB Engineering Pty Ltd, a Victorian based rigging and steel fabrication workshop, specialising in tower crane services and hoists, for consideration of $0.390 million as on page 34. The operating results of GFB Engineering have been included in the statement of financial performance since the date of acquisition.

The fair value of the shares issued was determined by calculating the weighted price at which the Company's shares were traded on the Australian Stock Exchange during the five trading days immediately before acquisition was announced. The fair value determined for the shares was $231,621.

NOTE 6 ACQUISITIONS (continued)

The following business operations were acquired during the reporting period:

Business operation	Seca Cranes	Econ Constructions	Eltrax	NZ Crane Operations	GFB Engineering	Total Acquisitions
Date of Acquisition	**13 December 2004**	**14 December 2004**	**28 April 2005**	**4 May 2005**	**6 May 2005**	
Type of Acquisition	**Asset purchase**	**Asset purchase**	**Asset purchase**	**Asset purchase**	**Asset purchase**	
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
(a) Consideration						
– cash paid	38,205	5,314	2,863	1,165	134	47,681
– ordinary shares	–	1,800	–	–	232	2,032
– professional fees and other costs	2,054	209	32	0	24	2,319
	40,259	**7,323**	**2,895**	**1,165**	**390**	**52,032**
(b) Net Assets Acquired						
– inventories	–	–	–	–	117	117
– work in progress	–	–	–	–	5	5
– deposits	265	2	–	–	–	267
– fixed assets	34,841	7,219	2,863	1,165	232	46,320
– tax assets	258	47	–	–		305
– debtors	167	–	–	–	12	179
	35,531	**7,268**	**2,863**	**1,165**	**366**	**47,193**
– provisions – other	(224)	(18)	–	–	–	(242)
– provision – annual leave	(860)	(153)	–	–	–	(1,013)
	(1,084)	**(171)**	**–**	**–**	**–**	**(1,255)**
Net Assets Acquired	**34,447**	**7,097**	**2,863**	**1,165**	**366**	**45,938**
(c) Goodwill Arising on Acquisition	5,812	226	32	0	24	6,094

	2005 $'000

NOTE 7 CURRENT ASSETS – CASH ASSETS

Cash at bank and on hand	715
	715
The above figures are reconciled to cash at the end of the financial period as shown in the statement of cash flows as follows:	
Balances as above	715
Less: Bank overdrafts (note 15)	(2,566)
Balances per statement of cash flows	(1,851)

NOTE 8 CURRENT ASSETS – RECEIVABLES

Trade debtors	8,440
Less: Provision for doubtful debts	(84)
	8,356
Accrued revenue	562
Foreign GST receivable	143
Other	7
	9,068

	2005 $'000

NOTE 9 CURRENT ASSETS – INVENTORIES

Raw materials and stores – at cost	52
Goods for resale – at cost	108
Work in progress – at cost	55
	215

NOTE 10 CURRENT ASSETS – OTHER

Prepayments	296
Deposits paid	532
	828

NOTE 11 NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

Land	
Freehold land	
At acquisition cost 2004	1,217
Plant and equipment	
At cost	47,336
Less: Accumulated depreciation	(1,512)
	45,824
Plant and equipment under finance lease	1,457
Less: Accumulated amortisation	(18)
	1,439
Work in progress	71
Total land, plant and equipment and work in progress	**48,551**

Valuation of land

Land has been valued at cost of acquisition.

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial period are set out below:

	Land $'000	Property, plant and equipment $'000	Work in progress $'000	Total $'000
Carrying amount at 15 October 2004	0	0	0	0
Additions	0	3,788	66	3,854
Disposals	0	(93)	0	(93)
Additions through acquisitions of entities (note 6)	1,217	45,098	5	46,320
Depreciation expense (note 4)	0	(1,530)	0	(1,530)
Carrying amount at 30 June 2005	1,217	47,263	71	48,551

	2005 $'000
NOTE 12 NON-CURRENT ASSETS – DEFERRED TAX ASSETS	
Future income tax benefit	193
NOTE 13 NON-CURRENT ASSETS – INTANGIBLE ASSETS	
Goodwill on acquisition of businesses (note 6)	6,094
Less: Accumulated amortisation	(162)
	5,932
Deferred financing costs	150
Less: Accumulated amortisation	(20)
	130
	6,062
NOTE 14 CURRENT LIABILITIES – PAYABLES	
Trade creditors	496
Other creditors and accruals	1,959
	2,455
NOTE 15 CURRENT LIABILITIES – INTEREST BEARING LIABILITIES	
Secured	
Bank overdrafts	2,566
Lease liabilities (note 28)	126
	2,692
NOTE 16 CURRENT LIABILITIES – CURRENT TAX LIABILITIES	
Income tax	811
NOTE 17 CURRENT LIABILITIES – PROVISIONS	
Employee benefits (note 29)	641
	641

	2005 $'000

NOTE 18 NON-CURRENT LIABILITIES – INTEREST BEARING LIABILITIES

Secured	
Bank bills	4,000
Lease liabilities (note 28)	1,282
Total secured non-current interest bearing liabilities	5,282
Total non-current interest bearing liabilities	**5,282**
Secured liabilities	
Total secured liabilities (current and non-current) are:	
Bank overdrafts and bank bills	6,566
Lease liabilities	1,408
Total secured liabilities	**7,974**

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

The facilities are secured by a negative pledge that imposes certain covenants on the Company. The negative pledge states that the Company will ensure that the following financial ratios are met:

(a) debt will not, at any time, exceed 50% of total assets; and

(b) debt servicing, including scheduled repayments, will not exceed 50% of earnings before borrowing costs and taxation for the period.

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

	2005 $'000
Financing arrangements	
Unrestricted access was available at balance date to the following lines of credit:	
Bank overdraft	
Total facilities	6,000
Used at balance date	2,566
Unused at balance date	3,434
Bank bill facilities	
Total facilities	20,000
Used at balance date	4,000
Unused at balance date	16,000
Equipment leasing	
Total facilities	6,000
Used at balance date	1,408
Unused at balance date	4,592

The current interest rates are 8.7% on the overdraft and 6.87% on the bill facility.

	2005 $'000
NOTE 19 NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES	
Provision for deferred income tax	662
NOTE 20 NON-CURRENT LIABILITIES – PROVISIONS	
Other provisions	241

	Date issued	Shares	Issue price	2005 $'000
NOTE 21 CONTRIBUTED EQUITY				
Issue of fully-paid ordinary shares during the reporting period				
Econ acquisition consideration (note 6)	14 Dec 2004	1,500,000	$1.20	1,800
As per Prospectus dated 17 November 2004	16 Dec 2004	41,666,667	$1.20	50,000
GFB Engineering acquisition consideration (note 6)	6 May 2005	229,694	$1.01	232
Issued for no consideration:				
Existing shareholders	10 Nov 2004	14,583,333	0	0
Executive share plan	13 Dec 2004	4,166,666	0	0
Professional services in relation to the Prospectus	13 Dec 2004	416,667	0	0
Employee share plan	16 Dec 2004	36,652	0	0
				52,032
Less: Transaction costs arising on share issues				3,670
Balance		**62,599,679**		**48,362**

The amount of $3.670 million relates to transactions costs incurred in relation to the December 2004 capital raising of $50 million. These raising costs have been classified to "Equity" as a reduction of the proceeds received from the capital raising as the Company's capital raising activities were successful and in accordance with UIG Abstract 23 "Transaction Costs Arising on the Issue of Equity Instruments".

In accordance with the Employee Share Plan, 36,652 fully-paid ordinary shares were issued to permanent employees of Verticon Group Limited on 16 December 2004.

(a) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(b) Employee Share Plan

Information relating to the Employee Share Plan, including details of shares issued under the Plan as employee gift shares, is set out in note 29.

(c) Executive Share Plan

Information relating to the Executive Share Plan, including details of shares issued under this Plan, is set out in note 25.

(d) Director/Executive Option Plan

Information relating to the Director/Executive Option Plan, including details of options issued, exercised and lapsed during the financial period and options outstanding at the end of the financial period, is set out in note 25.

(e) Dividend Reinvestment Plan

The Company has established a Dividend Reinvestment Plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid cash. At the date of this report, the Dividend Reinvestment Plan had not been activated.

	2005 $'000
NOTE 22 RETAINED PROFITS	
Retained profits	
Retained profits at the beginning of the financial period	0
Net profit attributable to members of Verticon Group Limited	4,486
Retained profits at the end of the financial period	4,486
NOTE 23 DIVIDENDS	
No dividends have been paid or provided for as at 30 June 2005.	
Dividends not recognised at period end	
Since period end, the Directors have recommended the payment of a final dividend of 4.5 cents per fully-paid ordinary share, fully franked based on tax paid of 30%. The aggregate amount of the proposed dividend expected to be paid on 21 October 2005 out of retained profits at 30 June 2005, but not recognised as a liability at period end, is	2,817
Franked dividends	
The franked portions of the final dividends recommended after 30 June 2005 will be franked out of franking credits arising from the payment of income tax in the period ending 30 June 2006.	

NOTE 24 FINANCIAL INSTRUMENTS

(a) Significant accounting policies

Details of significant accounting policies and methods adopted, including the criterion for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each significant class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

(b) Exchange rate risk

Verticon Group Limited utilises forward exchange contracts to hedge known overseas purchase commitments. The contracts are generally undertaken when the timing of the delivery of the goods is known. For minor overseas purchases, exchange contracts at spot rate are exercised.

There were no forward exchange contracts outstanding at 30 June 2005.

(c) Interest rate risk

The following table details the Company's exposure to interest rate risk as at 30 June 2005:

			Fixed interest maturing in:				
	Average interest rate %	Floating interest rate $'000	1 year or less $'000	Over 1 to 5 years $'000	More than 5 years $'000	Non-interest bearing $'000	Total $'000
Financial assets							
Cash	0.54	704	–	–	–	11	715
Receivables	–	–	–	–	–	8,440	8,440
	–	704	–	–	–	8,451	9,155
Financial liabilities							
Bank overdrafts	8.7	2,566	–	–	–	–	2,566
Bank bill	6.87	4,000	–	–	–	–	4,000
Trade and other creditors	–	–	–	–	–	2,455	2,455
Finance leases	7.5	–	126	1,282	–	–	1,408
	–	6,566	126	1,282	–	2,455	10,429
Net financial assets/(liabilities)	–	(5,862)	(126)	(1,282)	–	5,996	(1,274)

(d) Net fair value of financial assets and liabilities

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their respective fair values, determined in accordance with the accounting policies disclosed in note 1 of the financial statements.

(e) Credit risk

Credit risk refers to the risk that a company will default on its contractual obligations resulting in financial loss to Verticon Group Limited. Verticon has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other securities where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The total credit risk is the carrying amount of the financial assets recorded in the financial statements, net of any provisions for losses, before any value for collateral or other security held.

NOTE 25 DIRECTOR AND EXECUTIVE DISCLOSURES

Directors

The following persons were Directors of Verticon Group Limited during the financial period:

Chairman – Non Executive

Michael Butler

Executive Directors

Mark Kevin, Managing Director
Denis Tomasel, Director

Non Executive Directors

David Wieland
David Goldberger

Executives (other than directors) with the greatest authority for strategic direction and management

The following persons were the five executives with the greatest authority for the strategic direction and management of the Company ("specified executives") during the financial period:

Name	Position	Commencement date
Peter Cooper	Chief Financial Officer	18 November 2004
Rodney Samimi	General Manager, Seca Cranes	18 April 2005
Stephen Gunn	Equipment Manager, Seca Cranes	13 December 2004
Charles Abela	Equipment Manager, Verticon Victoria	14 December 2004
Leon Key	General Manager, Verticon Victoria	2 May 2005

Remuneration Report

The remuneration report is set out under the following headings:

A. Principles used to determine the nature and amount of remuneration

B. Details of remuneration

C. Service agreements

D. Share based compensation

A. Principles used to determine the nature and amount of remuneration

The Remuneration Committee, consisting of two Directors, advises the Board on remuneration policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive Directors, other senior executives and non executive Directors.

Executive remuneration and their terms of employment will be reviewed annually by the committee having regard to performance against pre-agreed objectives, relevant comparative information and independent expert advice.

Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the various parts of the business.

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

NOTE 25 DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

B. Details of remuneration

Details of the nature and amount of each element of the emoluments of each Director of Verticon Group Limited and each of the five officers of the Company receiving the highest emoluments are set out in the following tables:

	Primary		Post-employment	Equity		
Directors	**Cash salary and fees $**	**Non-monetary benefits $**	**Super-annuation $**	**Shares $**	**Options $**	**Total $**
Michael Butler	67,822	–	–	–	–	67,822
Mark Kevin	184,068	17,855	16,477	1,000	19,535	238,935
Denis Tomasel	74,473	1,741	92,523	2,501,000**	–	2,669,737
David Wieland*	–	–	–	–	–	0
David Goldberger*	–	–	–	–	–	0
Total	**326,363**	**19,596**	**109,000**	**2,502,000**	**19,535**	**2,976,494**

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

** On 13 December 2004, a private company, Deenford Pty Ltd, associated with Mr Denis Tomasel, a principal of the Seca Cranes group, was granted 2,083,333 shares in connection with his continuing employment with Verticon Group Limited following the sale of the Seca Cranes business to Verticon Group Limited. The shares are escrowed until the annual results for Verticon Group Limited for the year ending 30 June 2006 are released to the Australian Stock Exchange. The shares were valued at $2,500,000.

	Primary		Post-employment	Equity	
Executives	**Cash salary and fees $**	**Non-monetary benefits $**	**Super-annuation $**	**Shares $**	**Total $**
Peter Cooper	65,810	7,198	34,874	1,000	108,882
Rodney Samimi	44,611	3,146	4,015	–	51,772
Stephen Gunn	26,048	1,716	89,508	2,501,000**	2,618,272
Charles Abela	115,276	–	11,829	1,000	128,105
Leon Key	25,000	–	–	–	25,000
Total	**276,745**	**12,060**	**140,226**	**2,503,000**	**2,932,031**

** On 13 December 2004, a private company, Emadale Pty Ltd, associated with Mr Stephen Gunn, a principal of the Seca Cranes group, was granted 2,083,333 shares in connection with his continuing employment with Verticon Group Limited following the sale of the Seca Cranes business to Verticon Group Limited. The shares are escrowed until the annual results for Verticon Group Limited for the year ending 30 June 2006 are released to the Australian Stock Exchange. The shares were valued at $2,500,000.

C. Service agreements

Remuneration and other terms of employment for the Managing Director and the specified executives are formalised in service agreements. Each of these agreements provide for the provision of superannuation and motor vehicle allowances.

M B Kevin, Managing Director

» Term of agreement – five years commencing 17 November 2004.

» Base salary, inclusive of superannuation, for the period ended 30 June 2005 of $200,545, to be reviewed annually by the Remuneration Committee.

» Car allowance provided.

» Termination of contract is subject to six months' notice by either party. No termination benefits are payable on expiry or early termination of contract.

P Cooper, Chief Financial Officer

» Term of agreement – five years commencing 18 November 2004.

» Base salary, inclusive of superannuation, for the period ended 30 June 2005 of $100,684, to be reviewed annually by the Remuneration Committee.

» Car allowance provided.

» Termination of contract subject to six months' notice by either party. No termination benefits are payable on expiry or early termination of contract.

D M Tomasel, Director

» Term of agreement – five years commencing 13 December 2004, comprising an initial term of two years, transition period of one year and a consultancy period of two years.

» Base salary, inclusive of superannuation, for the period ended 30 June 2005 of $166,996, to be reviewed annually by the Remuneration Committee.

» Payment of annual performance bonus based on the achievement of annual targets agreed with the Managing Director

» Car allowance provided.

» Termination of contract subject to six months' notice by either party. No termination benefits are payable on expiry or early termination of contract.

» Five year non compete clause restricting concern and interest in any business or activity that is the same or similar to, or competitive with, the business carried on by Verticon Group Limited.

S J Gunn, Equipment Manager, Seca Cranes

» Term of agreement – five years commencing 13 December 2004, comprising an initial term of two years, transition period of one year and a consultancy period of two years.

» Base salary, inclusive of superannuation, for the period ended 30 June 2005 of $115,556, to be reviewed annually by the Remuneration Committee.

» Car allowance provided.

» Termination of contract subject to six months' notice by either party. No termination benefits are payable on expiry or early termination of contract.

» Five year non compete clause restricting concern and interest in any business or activity that is the same or similar to, or competitive with, the business carried on by Verticon Group Limited.

R Samimi, General Manager, Seca Cranes

» Term of agreement – five years commencing 18 April 2005.

» Base salary, inclusive of superannuation, for the period ended 30 June 2005 of $48,626, to be reviewed annually by the Remuneration Committee.

» Car allowance provided.

» Termination of contract subject to six months' notice by either party. No termination benefits are payable on expiry or early termination of contract.

NOTE 25 DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

L Key, General Manager, Verticon Victoria

» Term of agreement – currently under review.

» Base salary, inclusive of superannuation, for the period ended 30 June 2005 of $25,000, to be reviewed annually by the Remuneration Committee.

» Car allowance provided.

» Termination of contract subject to six months' notice by either party. No termination benefits are payable on expiry or early termination of contract.

C Abela, Equipment Manager, Verticon Victoria

» Term of agreement – five years commencing 14 December 2004.

» Base salary, inclusive of superannuation, for the period ended 30 June 2005 of $127,105, to be reviewed annually by the Remuneration Committee.

» Car allowance provided.

» Termination of contract subject to six months' notice by either party. No termination benefits are payable on expiry or early termination of contract.

» Five year non compete clause restricting concern and interest in any business or activity that is the same or similar to, or competitive with, the business carried on by Verticon Group Limited.

D. Share based compensation

The terms and conditions of each grant of options affecting remuneration in this or future reporting periods are as follows:

Grant date	Expiry date	Exercise price	Value per option at grant date	Date exercisable
10 December 2005	23 December 2009	$1.20	$0.06	August 2005 (100,000 options)
10 December 2005	23 December 2009	$1.20	$0.12	August 2006 (150,000 options)
10 December 2005	23 December 2009	$1.20	$0.09	August 2007 (150,000 options)

Options are granted under the Director/Executive Option Plan which was approved by the Company in a general meeting. Under this Plan, the Board may offer Directors and senior executives of the Company options which may be exercised for new shares. The Board has the discretion to set the issue price, exercise price and other conditions applying to the options.

As at reporting date, options have been granted to Mark Kevin for a five-year period. The vesting dates for each tranche is disclosed above and is dependent on the achievement of hurdles being met.

When exercisable, each option is convertible into one ordinary share on the day of announcement to the Australian Stock Exchange of the financial results for financial years 2005, 2006 and 2007.

Share based compensation – Executive Share Plan

During the period the Company issued 2,083,333 shares to each of Deenford Pty Ltd (a company associated with Mr Denis Tomasel, Director), and Emadale Pty Ltd (a company associated with Mr Stephen Gunn, specified executive), as disclosed in the Prospectus dated 17 November 2004.

The shares were issued under and are subject to the Executive Share Plan. The aggregate fair value of the shares issued was $5,000,000, determined by reference to the market price at the date of issue.

The shares are subject to an escrow arrangement under which they may not be traded before the earlier of 1 July 2006 or the cessation of employment.

Share based compensation – Employee Share Plan

The following directors and specified executives of Verticon Group Limited participated in the Company's Employee Share Plan on 17 December 2004 to accept shares on offer at the time of the acquisition of Seca Cranes and Econ Constructions.

Name	Number of shares granted	Value of shares granted
Mark Kevin	833	1,000
Peter Cooper	833	1,000
Denis Tomasel	833	1,000
Stephen Gunn	833	1,000
Charles Abela	833	1,000

Equity instrument disclosures relating to Directors and Executives

Options provided as remuneration

Details of options over ordinary shares in the Company provided as remuneration to each Director of Verticon Group Limited is set out below. The specified executives of the Company were not provided with options as remuneration. When exercisable, each option is convertible into one ordinary share of Verticon Group Limited. Further information on the options is set out in note 25 of the financial report.

Name	Balance at the start of the period	Granted during the period as remuneration	Exercised during the period	Other changes during the period	Balance at the end of the period	Vested and exercisable at the end of the period
Directors of Verticon Group Limited						
Mark Kevin	nil	400,000	nil	nil	400,000	nil

NOTE 25 DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

Share holdings

The numbers of shares in the Company held during the financial period by each Director of Verticon Group Limited and each of the specified executives of the Company, including their personally related entities, are set out below:

Name	Balance at start of the period	Changes during the period	Balance at the end of the period
Directors of Verticon Group Limited			
Ordinary shares			
Michael Butler	0	120,000	120,000
Mark Kevin	0	34,166	34,166
Denis Tomasel	0	2,487,166	2,487,166
David Wieland*	1	14,618,332	14,618,333
David Goldberger*	1	14,618,332	14,618,333

* Directors of Taraville Pty Ltd. Taraville Pty Ltd holds a total of 14,618,333 shares in Verticon Group Limited.

Name	Balance at start of the period	Changes during the period	Balance at the end of the period
Specified executives of the Company			
Ordinary shares			
Peter Cooper	0	40,833	40,833
Rodney Samimi	0	0	0
Stephen Gunn	0	2,534,166	2,534,166
Charles Abela	0	1,500,833	1,500,833
Leon Key	0	10,309	10,309

Other transactions with directors and specified executives

Directors of Verticon Group Limited

A Director, Mr David Wieland, is a director and shareholder of Peninsula Construction Group Pty Ltd, which provided minor property services valued at $14,422 during the period. The services were based on normal commercial terms and conditions.

A Director, Mr David Goldberger, is a director and shareholder of Peninsula Construction Group Pty Ltd, which provided minor property services valued at $14,422 during the period. The services were based on normal commercial terms and conditions.

A Director, Mr Denis Tomasel, was a part-owner of Seca Cranes. Refer to note 6 for details of the consideration paid by Verticon Group Limited for the business operations of Seca Cranes. In addition, Mr Tomasel part-owns four properties in Queensland that are leased by Verticon Group Limited. The property lease rentals are based on normal commercial terms and conditions. The payments for the period ended 30 June 2005 totalled $137,329.

Specified executives of Verticon Group Limited

A specified executive, Mr Stephen Gunn, was a part-owner of Seca Cranes. Refer to note 6 for details of the consideration paid by Verticon Group Limited for the business operations of Seca Cranes. In addition, Mr Gunn part-owns three properties in Queensland that are leased by Verticon Group Limited. The property lease rentals are based on normal commercial terms and conditions. The payments for the period ended 30 June 2005 totalled $123,613.

	2005 $

NOTE 26 REMUNERATION OF AUDITORS

During the period the following fees were paid for services provided by the auditor of Verticon Group Limited and non-related audit firms:

Assurance services	
1. Audit services	
Fees paid to PricewaterhouseCoopers Australian firm:	
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	110,000
Total remuneration for audit services	**110,000**
2. Other assurance services	
Fees paid to PricewaterhouseCoopers Australian firm:	
Due diligence services	25,000
Investigating accountant services for IPO	727,686
AIFRS accounting services	8,194
Fees paid to non-PricewaterhouseCoopers firms for other assurance services	83,393
Total remuneration for other assurance services	**844,273**
Total remuneration for assurance services	**954,273**
Taxation services	
Fees paid to PricewaterhouseCoopers Australian firm:	
Tax compliance services	7,800
Total remuneration for taxation services	**7,800**

NOTE 27 CONTINGENT LIABILITIES

Verticon Group Limited had no contingent liabilities outstanding at 30 June 2005.

	2005 $'000

NOTE 28 COMMITMENTS FOR EXPENDITURE

Capital commitments	
Commitments for the acquisition of plant and equipment contracted for at the reporting date	
but not recognised as liabilities, payable:	
Within one year	
– Hoists	486
– Tower cranes	1,705
	2,191

Eltrax Pty Ltd

On 22 April 2005 Verticon Group Limited entered into a sale of business agreement to purchase the tower crane hire business of Eltrax Pty Ltd. Following settlement the agreement allowed up to four further tower cranes to be acquired from Eltrax Pty Ltd. The acquisition for the four tower cranes is contingent on Eltrax securing a tower crane hire contract on terms Verticon Group Limited is willing to accept from a third party customer. The maximum value of the potential acquisition is $1,440,000.

Operating leases	
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:	
Within one year	377
Later than one year but not later than five years	526
Later than five years	2
Commitments not recognised in the financial statements	905
Finance leases	
Commitments in relation to finance leases are payable as follows:	
Within one year	232
Later than one year but not later than five years	1,581
Later than five years	0
Minimum lease payments	1,813
Less: Future finance charges	405
Recognised as a liability	1,408
Total lease liabilities	1,408
Representing lease liabilities:	
Current (note 15)	126
Non-current (note 18)	1,282
	1,408

The weighted average interest rate implicit in the leases is 7.5%.

	2005 $'000

NOTE 29 EMPLOYEE BENEFITS

Employee benefit and related on-costs liabilities	
Current liabilities – payable	886
Provision for employee benefits – current (note 17)	641
Aggregate employee entitlement and related on-costs liabilities	**1,527**

	2005 Number
Employee numbers	
Average number of employees during the financial period	190

(a) Employee Share Plan

The Board may offer shares to any full-time or part-time employee of the Verticon Group Limited in its discretion. Shares issued under the Plan will be fully paid, ranked 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.

Employees who acquire shares issued as "tax paid" will not be permitted to deal in the shares for three years and a holding lock will be imposed by the Registry. This restriction will be lifted if the employee ceases to be employed by Verticon Group Limited.

The number of shares issued to participants in the scheme is 833 shares per employee with an implied value of approximately $1,000 based on the Offer Price of $1.20.

	2005 Number
Shares issued under the plan to eligible employees on 16 December 2005	36,652

(b) Executive Share Plan

Information relating to the executive share plan, including details of shares issued under this Plan, is set out in note 25.

(c) Director/Executive Option Plan

Information relating to the Director/Executive Option Plan, including details of options issued, exercised and lapsed during the financial period and options outstanding at the end of the financial period are set out in note 25.

(d) Dividend Reinvestment Plan

The Company has established a Dividend Reinvestment Plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid cash. At the date of this report, the Dividend Reinvestment Plan had not been activated.

NOTE 30 RELATED PARTIES

Directors and specified executives

Disclosures relating to Directors and specified executives are set out in note 25.

NOTE 31 EVENTS OCCURRING AFTER REPORTING DATE

Since period end, the Directors have recommended the payment of a final dividend of 4.5 cents per fully-paid ordinary share, fully franked based on tax paid of 30%. The aggregate amount of the proposed dividend expected to be paid on 21 October 2005 out of retained profits at 30 June 2005, but not recognised as a liability at period end, is $2.817 million.

There are no other events occurring after 30 June 2005 to report.

	2005 $'000

NOTE 32 RECONCILIATION OF PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

Profit from ordinary activities after related income tax	4,486
Depreciation and amortisation	1,712
Doubtful debts	84
Net exchange differences	4
Change in net assets and liabilities, net of effects from acquisitions:	
(Increase)/decrease in assets:	
Trade debtors	(8,327)
Inventories	(93)
Deposits paid	(265)
Prepayments	(296)
Accrued revenue	(562)
Current tax assets	39
Increase/(decrease) in liabilities:	
Trade creditors	496
Employee provisions	(614)
Current tax liabilities	1,241
Deferred tax balances	378
Other operating liabilities	1,868
Net cash inflow from operating activities	151

NOTE 33 NON-CASH FINANCING AND INVESTING ACTIVITIES

Acquisition of plant and equipment by means of finance leases	1,457

Part of the acquisition price paid to GFB Engineering was in the form of shares, as disclosed in note 6.

	2005 $'000

NOTE 34 EARNINGS PER SHARE

Basic earnings per share	9.0

	2005 Number
Weighted average number of shares used as the denominator	
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	49,773,255

	2005 $'000
Reconciliations of earnings used in calculating earnings per share	
Basic earnings per share	
Net profit	4,486
Earnings used in calculating basic earnings per share	4,486

At 30 June 2005, 400,000 options have been issued and these are not considered to be dilutive.

The basic earnings per share calculation has been made in accordance with AASB 1027.

Given that earnings reflect a shortened trading period, the directors provide an alternative earnings per share calculation (see below), allowing for the period from which revenue generating activities took place, namely from 13 December 2004 to 30 June 2005.

	2005 Cents
» 13 December 2004 to 30 June 2005 – 200 days	
» Reported net profit after tax – $4,485,807	
» Implied annualised net profit after tax – $8,186,598	
» Shares on issue at 30 June 2005 – 62,599,679	
» Annualised operating period basic earnings per share	13.1

NOTE 35 IMPACTS OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group has issued interpretations corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. These Australian equivalents to IFRS are referred to hereafter as AIFRS. The adoption of Australian equivalents to IFRS will be first reflected in Verticon Group Limited's financial statements for the half year ending 31 December 2005 and the period ending 30 June 2006.

Entities complying with AIFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of AIFRS to that comparative period.

The Company has established a project team to manage the transition to AIFRS. The project team is chaired by the Chief Financial Officer and reports regularly to the audit committee. The project team has prepared a timetable for managing the transition and is currently on schedule.

The project team has analysed all of the AIFRS requirements and has identified the accounting policy changes that will be required. In some cases choices of accounting policies are available, including elective exemptions under Accounting Standard AASB 1 "First Time Adoption of Australian Equivalents to International Financial Reporting Standards". These choices have been analysed to determine the most appropriate accounting policy for the Company.

Set out below are the key areas where accounting policies are expected to change upon adoption of AIFRS and management's best estimate of the impacts of the changes as at the time of preparing the 30 June 2005 financial statements. The actual effects of the transition disclosed in the first set of AIFRS financial statements may differ from the estimates disclosed due to: (i) ongoing AIFRS reviews by Verticon; (ii) potential amendments to AIFRS's and the subsequent changes in interpretation; and (iii) emerging practice and in the initial adoption and implementation of AIFRS.

(a) Intangible assets

Under AASB 3 "Business Combinations", amortisation of goodwill will be prohibited, and will be replaced by annual impairment testing focusing on the cash flows of the related cash generating unit. An impairment charge is to be immediately recognised in the income statement if it occurs.

This will result in a change to the current accounting policy, under which goodwill is amortised on a straight-line basis over the period during which the benefits are expected to arise, which has been determined as 20 years.

If the policy required by AASB 3 had been applied during the period ended 30 June 2005, and ignoring the impact of the change in policy noted in following paragraph, goodwill at 30 June 2005 would have been $162,000 higher and amortisation expense for the period ended 30 June 2005 would have been $162,000 lower. Management has not yet finalised their assessment of the quantitative impacts arising from impairment testing, however we do not expect an impairment charge for the period ended 30 June 2005.

In addition, under AASB 138 "Intangible Assets", intangible assets previously subsumed in goodwill will require separate recognition and amortisation over its appropriate useful life.

The Company is currently undergoing an exercise to identify reliably measurable intangible assets acquired upon the acquisition of the Seca business operations. The impact of this exercise will be to separately recognise intangible assets and to reduce the balance of goodwill by a similar amount. The intangible assets will be amortised over their assessed useful lives, which will most likely be over significantly shorter periods than over which goodwill is currently amortised (20 years).

(b) Equity-based compensation benefits

Under AASB 2 "Share based Payment", Verticon is required to recognise an expense for those options that were issued to employees under the Executive/Director Option Plan but that had not vested by 1 January 2005. The expense is determined by reference to the fair value of the equity instruments issued.

This will result in a change to the current accounting policy, under which no expense is recognised for equity-based compensation.

If the policy required by AASB 2 had been applied during the period ended 30 June 2005, the employee benefits expense would have been $19,535 higher, with a corresponding increase in the net movement in the share based payment reserve.

(c) Income tax

Under AASB 112 "Income Taxes", deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the statement of financial position and their associated tax bases. In addition, 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 and loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity.

Management has not yet finalised their assessment of the quantitative impacts of AASB 112 at the date of this report.

(d) Business combinations

Under AASB 3 "Business Combinations", if the acquirer's interest in the fair value of assets and liabilities exceeds the cost of the business combination, AASB 3 requires the acquirer to reassess the identification and measurement of the acquiree's identifiable assets and liabilities, and the measurement of the cost of the combination and to recognise immediately any excess remaining as a gain to profit or loss.

This will result in a change to the current accounting policy, under which no gain is recognised for an excess of the fair value of interest acquired in a business combination over the cost of the transaction. Any excess is allocated proportionately against the fair value of non-monetary assets acquired. Additionally, AASB 3 will require reassessment of the purchase consideration and intangible assets acquired as part of the business operations acquired.

On 4 May 2005, Verticon Group Limited acquired the NZ crane operations of Works Infrastructure, a New Zealand based construction company with internal tower crane services and hoists, for a consideration of $1.165 million. The fair value of the cranes is being assessed and if it exceeds the consideration then under AIFRS the fixed assets will need to be increased with a corresponding increase to revenue. Depreciation would consequently increase in future periods.

Other than the matters noted above and those disclosed in note 35(a), management expect no other significant impacts arising from the application of AASB 3 "Business Combinations" as at 30 June 2005.

(e) Financial instruments

(i) Verticon Group Limited will be taking advantage of the exemption available under AASB 1 to apply AASB 132 "Financial Instruments: Disclosure and Presentation" and AASB 139 "Financial Instruments: Recognition and Measurement" only from 1 July 2005. This allows the Company to apply previous Australian Generally Accepted Accounting Principles (Australian GAAP) to the comparative information of financial instruments within the scope of AASB 132 and AASB 139 for the 30 June 2006 financial report.

(ii) Under AASB 139, foreign exchange contracts held for hedging purposes will be accounted for as cash flow hedges. Changes in the fair value of those contracts will be recognised directly in equity until the hedge transaction occurs, in which case the amounts recognised in equity will be included in the initial cost of the asset acquired.

This will result in a change to the current accounting policy, under which the costs or gains arising under contracts together with any realised or unrealised gains from remeasurement are included in assets or liabilities as deferred losses or deferred gains.

As a result of the application of the exemption referred to above, there would have been no adjustment to classification or measurement of cash flow hedges from the application of AIFRS during the period ended 30 June 2005. Changes in classification and measurement will be recognised from 1 July 2005 as a result of the exemption.

(f) Statement of cash flows

No material impacts are expected in relation to the statement of cash flows.

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the financial statements and notes set out on pages 25 to 53 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 30 June 2005 and of its performance, as represented by the results of its operations and cash flows, for the financial period ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given declarations by the Chief Executive Officer and Chief Financial Officer as required by Section 295A of the Corporations Regulations 2001.

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

Michael Butler
Chairman

Melbourne

18 August 2005

Mark Kevin
Managing Director

Melbourne

18 August 2005

PricewaterhouseCoopers
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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF VERTICON GROUP LIMITED

In our opinion, the financial report of Verticon Group Limited:

» gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of Verticon Group Limited as at 30 June 2005, and of their performance for the period ended on that date; and

» is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, and the Corporations Regulations 2001.

This opinion must be read in conjunction with the rest of our audit report.

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Verticon Group Limited (the Company) for the period ended 30 June 2005.

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.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected. For further explanation of an audit, visit our website http://www.pwc.com/au/financialstatementaudit.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

» examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and

» assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

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

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

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

PRICEWATERHOUSECOOPERS

Independence

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

PricewaterhouseCoopers

Chris Dodd
Partner

Melbourne

18 August 2005

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 31 July 2005.

A. Distribution of equity securities

Ordinary share capital

62,599,679 fully-paid shares are held by 1,150 individual shareholders. All ordinary shares of the Company carry one vote per share.

Options

As at 30 June 2005 there are 400,000 options over ordinary shares of the Company held by one individual.

Analysis of numbers of equity security holders by size of holding:

	Class of equity security	
	Ordinary shares	**Options**
1 – 1,000	61	0
1,001 – 5,000	299	0
5,001 – 10,000	329	0
10,001 – 100,000	421	0
100,001 and over	40	1
	1,150	**1**

There were eight holders of less than a marketable parcel of ordinary shares.

B. Equity security holders

Twenty largest quoted equity security holders

The names of the 20 largest holders of quoted equity securities are listed below:

Name	Ordinary shares Number held	Percentage of issued shares
Taraville Pty Ltd	14,618,333	23.35
RBC Global Services Australia Nominees Pty Ltd	7,147,030	11.42
Westpac Custodian Nominees Limited	2,650,834	4.23
Deenford Pty Ltd	2,443,333	3.90
Emadale Pty Ltd	2,083,333	3.33
National Nominees Limited	2,067,500	3.30
Giovanni Nominees Pty Ltd	1,691,880	2.70
M and M Pagliari	1,350,000	2.16
VBS Exchange Pty Ltd	1,325,000	2.12
ANZ Nominees Limited	1,262,491	2.02
Kellason Pty Ltd	1,260,000	2.01
Skydene Pty Ltd	1,260,000	2.01
Econ Construction Equipment (Australia) Pty Ltd	1,113,490	1.78
UBS Nominees Pty Ltd	500,000	0.80
Bell Potter Nominees Limited	459,334	0.73
Stephen Gunn	450,833	0.72
Deasil Trading Pty Limited	418,550	0.67
Elessar Holdings Pty Ltd	416,667	0.67
Invia Custodian Pty Limited	416,667	0.67
Chromagen Solar Australia Pty Ltd	360,000	0.58
	43,295,275	**69.16**

C. Substantial holders

Substantial holders in the Company are set out below:

Name	Ordinary shares Number held	Percentage of issued shares
Taraville Pty Ltd	14,618,333	23.35
Perpetual Trustees Australia Limited	7,231,722	11.55

D. Voting rights

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

(a) Ordinary shares

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

(b) Options

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

CORPORATE DIRECTORY

Directors

Michael Butler BSc MBA FAICD
Chairman – Non Executive

Mark Kevin B Comm
Managing Director

David Goldberger
Non Executive Director

David Wieland
Non Executive Director

Denis Tomasel B Eng Dip Ed IEA
Executive Director

Secretary

Peter Cooper B Ec CPA

Principal registered office in Australia

Verticon Group Limited
Level 4, 564 St Kilda Road
Melbourne Victoria 3004

Share register

ASX Perpetual Registrars Limited
Level 4, 333 Collins Street
Melbourne Victoria 3000

Auditor

PricewaterhouseCoopers
Freshwater Place
2 Southbank Boulevard
Southbank Victoria 3006

Solicitor

Deacons
RACV Tower
485 Bourke Street
Melbourne Victoria 3000

Banker

Westpac Banking Corporation
Level 7, 360 Collins Street
Melbourne Victoria 3006

Stock exchange listing

Verticon Group Limited shares are listed on the Australian Stock Exchange.

Website address

www.verticon.com.au

VERTICON GROUP LIMITED

Registered Office and Head Office
Verticon Group Limited
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Melbourne Victoria 3004

www.verticon.com.au