Vertua Limited
ACN 108 076 295

TARGET'S STATEMENT

This Target's Statement has been issued in response to the offer made by Joe Public Property Management Pty Ltd ACN 164 946 712 for three (3) out of every eight (8) shares you own in Vertua Limited ACN 108 076 295

The Independent Directors of Vertua Limited unanimously recommend that, in the absence of a higher offer, you ACCEPT the Offer

This is an important document and requires your immediate attention.

If you are in doubt as to how to act, you should consult your financial or legal adviser immediately.

Target's legal adviser:

K&L GATES

22649891v9 BULLOCSJ

Important Notices

Key Dates

Date of Joe Public's Offer	29 July 2014
Date of this Target's Statement	24 July 2014
Close of Offer Period (unless extended)	7:00pm (Sydney time) on 29 August 2014

Target's Statement

This is a Target's Statement made by Vertua Limited ACN 108 076 295 (**Vertua**) under Part 6.5 of Chapter 6 of the Corporations Act in response to the Bidder's Statement given by Joe Public Property Management Pty Ltd ACN 164 946 712 (**Joe Public**) dated 24 July 2014 and which was served on Vertua on 24 July 2014.

Capitalised terms used in this Target’s Statement are explained in the glossary at the end of this document, along with certain rules of interpretation which apply to this Target’s Statement.

A copy of this Target's Statement has been lodged with ASIC and sent to the National Stock Exchange of Australia Limited (**NSX**). Neither ASIC, NSX nor any of its officers take any responsibility for the contents of this Target's Statement.

No account of personal circumstances

This Target’s Statement does not take into account your individual investment objectives, financial situation or particular needs. It does not contain personal financial or taxation advice. You may wish to seek your own independent legal, financial, taxation or other professional advice before making a decision as to whether or not to accept the Offer for your Vertua Shares.

Proportional off-market takeover offer

The Offer is a proportional off-market takeover offer. Joe Public is offering to acquire three (3) out of every eight (8) of your shares, representing 37.5% of Your Vertua Shares (but no more or less).

Forward looking statements

The Target’s Statement contains forward looking statements. All statements other than statements of historical fact are forward looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties, many of which are beyond the control of Vertua.

Actual events or results may differ materially from the events or results expected or implied in any forward looking statement. None of Vertua, any of its officers, any person named in this Target’s Statement with their consent, or any person involved in the preparation of this Target’s Statement makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward looking statements.

Foreign Jurisdictions

The distribution of this Target's Statement in jurisdictions outside Australia and New Zealand may be restricted by law and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

Shareholder Information Line

If you have any queries in relation to the Offer, please call 1300 934 599 within Australia and +61 1300 934 599 outside of Australia.

CHAIRMAN'S LETTER

24 July 2014

Dear Shareholder

On 5 June 2014, Joe Public Property Management Pty Ltd ACN 164 946 712 (**Joe Public**) announced its intention to make a proportional off-market takeover offer for 37.5% of Your Vertua Shares (but no more or less) at $0.09 per share. In the Bidder's Statement dated 24 July 2014, the consideration increased to $0.12 per share.

The terms and conditions of the Offer are described in more detail in this Target's Statement and Joe Public's Bidder's Statement.

Recommendation

The Independent Directors have carefully considered the Offer and unanimously recommend that, in the absence of a superior offer, you accept the Offer for the following reasons:

1. liquidity in the shares of Vertua is currently low;
2. the Offer Consideration represents good value to Shareholders, being:
   (a) a 59.8% premium to the volume weighted average price of Vertua Shares of $0.0751 for the 90 days up to and including 4 June 2014 (the last full day of trading prior to the announcement of the Offer);
   (b) a 54.5% premium to the volume weighted average price of Vertua Shares of $0.0777 for the 60 days up to and including 4 June 2014;
   (c) a 48.7% premium to the volume weighted average price of Vertua Shares of $0.0807 for the 30 days up to and including 4 June 2014;
   (d) a 33.3% premium to the Vertua closing share price on 5 June 2014 of $0.09; and
   (e) a 35.44% premium to the Vertua’s unaudited NTA per share as at 30 June 2014;
3. in the absence of takeover activity or speculation, it is likely that Vertua's Shares would trade at or below the Offer Consideration for the foreseeable future;
4. there is currently no higher offer and it is unlikely that a superior offer will emerge;
5. the Independent Directors consider the Offer to be reasonable;
6. the Independent Expert's Report considers the Offer to be fair and reasonable; and
7. the Offer Consideration will be paid in cash providing certainty of value.

This Target’s Statement details the reasons for the Independent Directors' recommendation to **ACCEPT** the Offer and I urge you to read it in full. The Independent Directors recommend that you consult with your independent legal, financial, taxation or other professional adviser if in doubt about what to do.

How to accept the Offer

To **ACCEPT** the Offer, you will need to follow the instructions set out in the relevant Acceptance Form enclosed with the Bidder's Statement.

The Independent Directors will keep you informed of any further developments in relation to the Offer.

Yours sincerely,

Howard Woolcott
Chairman

1. Frequently asked questions

This section answers some commonly asked questions about the Offer. It is not intended to address all issues that you may have in mind. This section should be read together with all other parts of this Target's Statement.

What is the Bidder's Statement?	The Bidder's Statement is the document setting out the terms of the Offer by Joe Public which has been sent to you in accordance with the Corporations Act.
What is the Target's Statement?	The Target's Statement is the document that you are currently reading. The Target's Statement has been prepared by the Independent Directors and provides Vertua's response to the Offer, including the recommendation of the Independent Directors to **ACCEPT** the Offer.
What is the Offer?	Joe Public is offering to purchase 37.5% of the Shares that you own in Vertua (but no more or less) as at the Register Date for $0.12 per Share. If by accepting the Offer you will be left holding less than a Marketable Parcel, then Joe Public will buy all your Vertua Shares for $0.12 cash each. Note however that this exception only applies to shares that were already in existence and were held by the relevant Shareholder, prior to 10:00am (AEST) on 5 June 2014.
What is a 'proportional' takeover Offer?	A proportional takeover offer (such as this Offer) is a takeover bid for a specified portion of the securities in a class of shares. The Corporations Act requires that the specified proportion is the same for all holders of securities in that class. The specified proportion for the Offer is three (3) out of every eight (8) Vertua Shares held by you (but no more or less) as at the Register Date, representing 37.5% of your total shareholding.
Who is the Offer made to?	The Offer is made to all persons who hold Vertua Shares as at the date of the Bidder's Statement.
What is the Offer Consideration for my Vertua Shares?	The Offer Consideration is $0.12 cash for each Vertua Share.
Who is Joe Public?	Joe Public is an Australian incorporated wholly-owned subsidiary of Joe Public Limited (Company Number 4655799), incorporated in New Zealand (**Joe Public Limited**). Joe Public Limited's principal business is the acquisition of New Zealand real estate for residential development. The Offer is part of Joe Public Limited Group's expansion into the Australian residential development market. For further information, refer to sections 2 and 5 of the Bidder's

	Statement.
What is the maximum voting power that Joe Public could reach if all Offers were accepted?	If the Offer were to be accepted by all Shareholders to whom the Offer is made, Joe Public's voting power would increase from 19.9% to 49.9%.
What choices do I have as a Shareholder?	As a Shareholder, you can: (a) accept the Offer; (b) sell your Vertua Shares on NSX, in which case you should instruct your stockbroker when you want to sell; or (c) do nothing. When deciding what to do, you should carefully consider the Independent Directors' recommendation and other important considerations set out in this Target's Statement.
Should I accept the Offer?	The Independent Directors unanimously recommend that in the absence of a superior offer, you **ACCEPT** the Offer. As James Manning is also a director of Joe Public and Benjamin Doyle was, within the last six months, a director of Joe Public Limited, they have declined to make any recommendation in relation to the Offer. Further, as Stephen Simonds sold 1,432,980 Vertua Shares (which he held indirectly by virtue of Hammond & Simonds Pty Ltd) to Joe Public on 23 June 2014, he has also declined to make any recommendation in relation to the Offer on the basis that he does not feel sufficiently independent.
Why are the Independent Directors recommending I accept the Offer?	The Independent Directors are recommending that you **ACCEPT** the Offer because, amongst other things: 1. liquidity in the shares of Vertua is currently low; 2. the Offer Consideration represents good value for Shareholders, being: (a) a 59.8% premium to the volume weighted average price of Vertua Shares of $0.0751 for the 90 days up to and including 4 June 2014 (the last full day of trading prior to the announcement of the Offer); (b) a 54.5% premium to the volume weighted average price of Vertua Shares of $0.0777 for the 60 days up to and including 4 June 2014; (c) a 48.7% premium to the volume weighted average price of Vertua Shares of $0.0807 for the 30 days

	up to and including 4 June 2014; (d) a 33.3% premium to the Vertua closing share price on 5 June 2014 of $0.09; and (e) a 35.44% premium to Vertua’s unaudited NTA per share as at 30 June 2014; 3. in the absence of takeover activity or speculation, it is likely that Vertua's Shares would trade at or below the Offer Consideration for the foreseeable future; 4. there is currently no higher offer and it is unlikely that a superior offer will emerge; 5. the Independent Directors consider the Offer to be reasonable; 6. the Independent Expert's Report considers the Offer to be fair and reasonable; and 7. the Offer Consideration will be paid in cash providing certainty of value.
What does the Independent Expert say?	As stated above, the Independent Expert has concluded that the Offer is fair and reasonable. The Independent Expert's Report is included at Annexure A to this Target's Statement. You should read that report carefully.
What do the Independent Directors intend to do with their Vertua Shares?	All Independent Directors who hold Vertua Shares intend to **ACCEPT** the Offer.
How do I accept the Offer?	To **ACCEPT** the Offer, you will need to follow the instructions set out in the relevant Acceptance Form enclosed with the Bidder's Statement. You may wish to consult with your independent legal, financial, taxation or other professional adviser in regard to the action that you should take in relation to the Offer.
How do I reject the Offer?	To reject the Offer, you do not need to do anything. Simply continue to hold your Vertua Shares.
Can I accept the Offer for less than 37.5% of my Vertua Shares	No, you can only accept for the full 37.5% (that is, three (3) out of every eight (8) shares) of your entire holding in Vertua as at the Register Date. If however, accepting an Offer would leave you holding less than a Marketable Parcel of Vertua Shares, the Offer will extend to all Your Vertua Shares. If you accept the Offer, you will retain 62.5% of your Vertua Shares. You may sell these Vertua Shares on-market but any purchaser of such Vertua Shares will not be able to accept the

	Offer in respect of those shares. There will be special NSX trading arrangements with respect to these remaining NSX Shares as follows: (a) purchasers of the remaining Vertua Shares will not be entitled to accept the Offer and such shares will trade on NSX on an "ex-Offer" basis; and (b) settlement of trades in "ex-Offer" Vertua Shares will be deferred until after the end of the Offer Period. If you do not accept the Offer in respect of your Vertua Shares and instead sell some or all of your Vertua Shares, the purchaser of those shares may accept the Offer. In this circumstance, your Vertua Shares will trade on a "cum-Offer" basis and in a normal settlement process.
If I accept the Offer, can I later withdraw my acceptance?	You are only able to withdraw your acceptance in limited circumstances under section 650E of the Corporations Act. Joe Public has not granted any withdrawal rights additional to those rights specified in the Corporations Act.
What happens if the Offer Consideration is increased?	If the Offer Consideration is subsequently increased by Joe Public after you have accepted the Offer, you will be entitled to the improved Offer Consideration in accordance with section 650B(2) of the Corporations Act.
What happens if a superior offer is made by a third party?	If you accept the Offer for your Vertua Shares, you are only able to withdraw your acceptance in limited circumstances. Accordingly, if you accept the Offer, you may be unable to accept a superior offer if one arises after that time. At this time, the Independent Directors are not aware of any possibility that an alternative superior offer will be made in the foreseeable future, although the opportunity is available for an alternative offer to be made.
Can I be forced to sell my Vertua Shares?	You cannot be forced to sell Your Vertua Shares unless Joe Public acquires a Voting Power of at least 90% of all Shares by the end of the Offer Period, and otherwise satisfies the compulsory acquisition test and proceeds to compulsory acquisition of your Vertua Shares on the same terms that applied to the Offer immediately before the end of the Offer Period. As the Offer is a proportional takeover offer, Joe Public will only be able to acquire a Voting Power of at least 90% of all Vertua Shares by the end of the Offer Period if the Offer is fully accepted and it also acquires an additional 40.1% of all Shares (which it can only do through limited means, one of which would be through the issue of a new takeover offer for that remaining parcel of shares). This is unlikely, as Joe Public intends for Vertua to remain listed on the NSX and to remain listed, Vertua must have a sufficient number of shareholders, holding a sufficient number of shares in order to comply with NSX's Listing

	Rules.
When do I have to decide?	If you wish to accept the Offer, you need to do so before its scheduled closing date at 7.00pm (AEST) on 29 August 2014. It is possible that Joe Public may choose to extend the Offer Period in accordance with the Corporations Act. Joe Public cannot however close the Offer earlier than this date except in accordance with the Corporations Act. If you wish to reject the Offer, you do not need to do anything.
If I accept the Offer, when will I be paid?	If you accept the Offer, you will have to wait for the Offer to be unconditional before you will receive your Offer Consideration from Joe Public. (See the "Frequently Asked Questions" section, as well as clause 1.3, of the Bidder's Statement for further details on when you will be sent your Offer Consideration.)
How will I know when the Offer is unconditional?	Joe Public is required to advise Vertua and the Shareholders if the conditions to the Offer become satisfied or waived. Notices from Joe Public will be available on the NSX website at <www.nsxa.com.au>. Vertua's NSX code is VERA.
Can Joe Public withdraw the Offer?	Joe Public can only withdraw its Offer with the consent in writing of ASIC (which consent may be subject to conditions), or as otherwise provided under the Corporations Act.
What are the conditions to the Offer?	There are no conditions to the Offer.
What are the tax implications of accepting the Offer?	You should seek independent taxation advice on the tax implications applicable to your circumstances.
Is there a phone number I can ring if I have any queries?	If you have any queries in relation to Joe Public's Offer, please call our shareholder information line on 1300 934 599 within Australia and +61 1300 934 599 outside of Australia.

2. Independent Directors' Recommendations

2.1 Summary of the Offer

On 24 July 2014 Joe Public lodged its Bidder's Statement with ASIC which sets out the terms of the Offer. The key terms of the Offer are summarised in the “Frequently Asked Questions”, set out in section 1 of this Target’s Statement.

The Shareholders should read the Bidder's Statement for full details of the Offer.

2.2 Directors of Vertua

The Directors of Vertua as at the date of this Target’s Statement are:

(a) Benjamin John Doyle;

(b) Howard Woolcott;

(c) James Edward Manning; and

(d) Stephen Simonds.

James Manning is also a director of Joe Public (as well as some other related entities of Joe Public) and Benjamin Doyle was, within the last six months, a director of Joe Public Limited.

On 23 June 2014, Stephen Simonds sold 1,432,980 Vertua Shares (which he held indirectly by virtue of Hammond & Simonds Pty Ltd) to Joe Public.

Given these interests, James Manning, Benjamin Doyle and Stephen Simmonds have declined to make any recommendations in relation to the Offer, and the Offer has been solely assessed by the Independent Directors.

2.3 Independent Directors' recommendation and intentions

In assessing the Offer, the Independent Directors have had regard to a number of considerations, including the information set out in the Bidder's Statement and the conclusions of the Independent Expert.

Based on this assessment and for the reasons set out in this Target's Statement, the Independent Directors believe that the consideration offered by Joe Public of $0.12 per share for every three (3) out of every eight (8) of Your Vertua Shares (being 37.5% of Your Vertua Shares) is a reasonable price for Your Vertua Shares.

Accordingly, each of the Independent Directors recommends that you ACCEPT the Offer in the absence of a superior offer.

As set out above, James Manning is also a director of Joe Public and Benjamin Doyle was, within the last six months, a director of Joe Public Limited. Given these interests in Joe Public (the entity making the Offer) and Joe Public Limited (the 100% shareholder of the entity making the Offer), James Manning and Benjamin Doyle do not consider it appropriate in the circumstances to make any recommendations in respect of the Offer, and they decline to do so.

Likewise, as Stephen Simonds sold 1,432,980 Vertua Shares (which he held indirectly by virtue of Hammond & Simonds Pty Ltd) to Joe Public on 23 June 2014, he has also declined to make any recommendation in relation to the Offer on the basis that he does not feel sufficiently independent.

In considering whether to accept the Offer, the Independent Directors encourage you to:

(a) read the whole of this Target's Statement (including the Independent Expert's Report) and the Bidder's Statement;

(b) have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances;

(c) consider the choices available to you as noted in section 2.8 of this Target's Statement; and

(d) obtain financial advice from your broker or financial adviser on the Offer and obtain taxation advice on the tax implications of accepting the Offer.

2.4 Reasons for the Independent Directors' recommendation

(a) **Increased liquidity**

Vertua Shares are highly illiquid, meaning it is currently difficult for Shareholders to sell their Vertua Shares on-market. If the Offer is accepted, Shareholders can sell a portion of their Vertua Shares to Joe Public at a premium to the current market price.

(b) **The Offer Consideration represents good value for Shareholders**

The Offer provides an opportunity to sell Vertua Shares at a premium which may not be available in the future.

The Offer Consideration represents good value for Shareholders, being:

(i) a 59.8% premium to the volume weighted average price of Vertua Shares of $0.0751 for the 90 days up to and including 4 June 2014 (the last full day of trading prior to the announcement of the Offer);

(ii) a 54.5% premium to the volume weighted average price of Vertua Shares of $0.0777 for the 60 days up to and including 4 June 2014;

(iii) a 48.7% premium to the volume weighted average price of Vertua Shares of $0.0807 for the 30 days up to and including 4 June 2014;

(iv) a 33.3% premium to the Vertua closing share price on 5 June 2014 of $0.09; and

(v) a 35.44% premium to Vertua's unaudited NTA per share as at 30 June 2014.

(c) **The price of Vertua Shares may trade lower following the close of the Offer**

Vertua's Shares have not traded in the period following the announcement of the Offer. Whilst there are many factors which affect the Vertua Share price, the Independent Directors believe that it is likely that the Vertua Shares would trade at or below the Offer Consideration for the foreseeable future if the Offer were to fail and no higher offer emerges.

(d) **It is unlikely that a superior offer will emerge**

As at the date of this Target's Statement, the Independent Directors are not aware of any superior offers to the Offer and are not in a position to provide Shareholders with information in relation to the probability of an alternative transaction arising. The

Independent Directors remind the Shareholders that their recommendation is in the absence of a superior offer.

(e) **The Independent Directors consider the Offer to be reasonable**

The Independent Directors have had regard to the operations, expected future earnings, growth prospects and risk profile of Vertua and believe the Offer is reasonable.

(f) **The Independent Expert considers the Offer to be fair and reasonable**

Under section 640 of the Corporations Act, if a director of the bidder is also a director of the target, the target's statement must include or be accompanied by a report by an expert that states whether, in the expert's opinion, the takeover is fair and reasonable and give reasons for forming that opinion.

As at the date of this Target's Statement, James Manning is a director of both Joe Public and Vertua. Accordingly, Vertua engaged the Independent Expert to prepare the Independent Expert's Report.

The Independent Expert notes that in order to assess the fairness of the Offer, the Offer Consideration must be compared against the fair value of a share in Vertua, calculated on a control basis. On the basis of that methodology, the Independent Expert has assessed the value of a share in Vertua to be within the range of $0.080 and $0.104. The Offer Consideration of $0.12 a share is greater than this range and therefore the Independent Expert has concluded that the Offer is fair.

In accordance with Australian regulatory policy, an offer is reasonable because it is fair (or despite not being fair, there are other significant factors leading to a conclusion that the shareholders should accept the offer in the absence of a higher bid).

The Independent Expert has concluded that the Offer is reasonable, and in coming to that conclusion, has taken into account the fact that the Offer provides Shareholders with:

(i) an opportunity to realise a cash return on their illiquid shares;

(ii) the ability to continue to participate in ongoing operations through their retained equity interest; and

(iii) the potential to receive a benefit from use of tax losses in the future.

For the Shareholders' reference, the Independent Expert also noted the following disadvantages of accepting the Offer:

(i) if the Offer were to be accepted by all Shareholders, Joe Public's interest would increase from 19.9% to 49.9%, giving it significant influence and control over Vertua; and

(ii) accepting the Offer may cause the share price and liquidity to decrease from the current quoted price of $0.09, due to Joe Public's interest.

Despite these disadvantages however, the Independent Expert concluded that the Offer was still fair and reasonable.

A full copy of the Independent Expert's Report, which should be read in conjunction with this summary, accompanies this Target's Statement as Annexure A. You should read this report carefully.

(g) **You are being offered the certainty of cash for some of Your Vertua Shares**

The Offer provides certainty of cash for some of Your Vertua Shares. If you accept the Offer and the Offer becomes unconditional, you will obtain the certainty of receiving a cash payment of $0.12 per share, for three (3) out of every eight (8) of Your Vertua Shares.

The total cash component is being funded by Joe Public Limited, details of which are set out in section 6 of the Bidder's Statement.

See the "Frequently Asked Questions" and clause 1.3 of the Bidder's Statement for further details on when you will be sent your Offer Consideration.

Each of the Independent Directors recommends that, in the absence of a superior offer, you accept the Offer.

2.5 Directors' intentions to accept or reject the Offer

The Directors who hold Vertua Shares presently (whether directly or indirectly) intend to accept the Offer in relation to those Vertua Shares held by them, in the absence of a superior offer.

Details of the Relevant Interests of each Vertua Director in Vertua Shares are set out in section 3.7 of this Target’s Statement.

2.6 Possible reasons for not accepting the Offer

Some factors that may lead you to reject the Offer are set out below.

(a) **Joe Public's capacity to exert influence over Vertua's business**

If the Offer were to be accepted by all Shareholders to whom the Offer is made, Joe Public’s voting power would increase from 19.9% to 49.9%. This means that:

(i) Joe Public may be able to determine the outcome at a general meeting of Shareholders, enabling Joe Public to have effective control of any decisions regarding Vertua's future operations that may need to be made;

(ii) Vertua's shareholding will be such that a third party may not be able to successfully make a takeover bid for Vertua's Shares in the future, without the support of Joe Public; and

(iii) it is possible that the liquidity of Vertua's Shares may become lower than it is at present. This may affect your ability to sell your Vertua Shares and therefore the Shareholders may not be able to realise the full value of their remaining Vertua Shares after the completion of the Offer.

(b) **Possible absence of a control premium**

As Joe Public is intending to acquire a 49.9% voting interest, you may consider that the Offer Consideration does not sufficiently remunerate Shareholders for providing Joe Public with effective control, as described in 2.6(a) above.

(c) **Disagree with Independent Directors and/or Independent Expert**

You may disagree with the recommendation of the Independent Directors and/or the conclusion of the Independent Expert.

(b) **Proportional takeover offer only**

The Offer only relates to three (3) out of every eight (8) of Your Vertua Shares and does not provide Shareholders with the ability to sell less than this proportional amount, or indeed their entire shareholding (unless the exception outlined in "Frequently Asked Questions" is invoked, namely that the Offer leaves you holding a less than Marketable Parcel in which case Joe Public will buy all of Your Vertua Shares, provided the shares in question were already in existence and were held by you prior to 10:00am (AEST) on 5 June 2014). Accordingly, if a Shareholder accepts the Offer, it will:

(i) retain 62.5% of their current shareholding; and

(ii) receive $0.12 cash for each of the Vertua Shares accepted under the Offer.

If a Shareholder wishes to sell the remainder of its Vertua Shares, the Shareholder will need to do so on-market and there is no guarantee of the price at which the Vertua Shares will trade from time to time, whether before or after the close of the Offer.

(c) **Tax Consequences**

Based on your individual circumstances, there may be adverse tax consequences of accepting the Offer. The taxation consequences of accepting the Offer depend on a number of factors and will vary depending on your particular circumstances. You should obtain and rely on your own taxation advice in relation to the taxation consequences of disposing of your Vertua Shares under the terms of the Offer.

(d) **Better Prospects**

You may consider that there are prospects of an improved takeover offer being made in the future by Joe Public or any other party. However, as set out in section 2.4(d) of this Target's Statement, the Independent Directors are not aware of any other likely superior bid which might be made.

2.7 Joe Public's intentions in relation to Vertua

The general intentions of Joe Public in relation to Vertua are set out in section 5 of the Bidder's Statement. These statements are statements of Joe Public's intentions at the date of the Bidder’s Statement only, which may vary as new information becomes available or circumstances change.

2.8 Choices available to you

As a Shareholder, you have the following choices in respect of the Offer:

(a) **You may accept the Offer**, in which case you should follow the instructions set out in the relevant Acceptance Form enclosed with the Bidder's Statement.

(b) **You may sell your shares on NSX**, in which case you should instruct your stockbroker when you want to sell.

(c) **You may choose not to accept the Offer**, in which case you do not need to take any action.

When deciding what to do, you should carefully consider the Independent Directors' recommendation and other important considerations set out in this Target's Statement. If you are in doubt as to how to act, you should consult your financial, taxation, legal or other professional adviser immediately.

2.9 Board representation of Vertua

If the Offer is successful, Joe Public intends to nominate one or more new directors for appointment to the Vertua Board (in addition to the recent appointment of James Manning). Both Howard Woolcott and Stephen Simonds intend to resign as Directors of Vertua shortly after the end of the Offer Period.

2.10 Dividend Policy

Joe Public does not intend to cause Vertua to declare any dividends in the next 12 months. Joe Public intends to review the Vertua dividend policy as part of the reconstituted Vertua Board (see clause 2.9).

3. Additional information

3.1 About Vertua

Vertua operates as a property investment company in Australia.

Formerly known as Property Fox No 2 Limited, the Company is based in Sydney, Australia.

3.2 Current projects

Vertua recently exchanged contracts on the purchase of three home unit properties at Lane Cove. Details of the project were disclosed in an announcement to the NSX on 16 July 2014.

Vertua has no other projects currently on foot.

3.3 Publicly available information about Vertua

Vertua is a "disclosing entity" under the Corporations Act and as such has continuous disclosure obligations under that Act and also under the NSX Listing Rules.

Vertua's announcements are available from the NSX website (see www.nsxa.com.au). Vertua's NSX code is VERA.

3.4 Financial position

The most recent financial information regarding Vertua is the Company's half year audit review for the period ending 31 December 2013, released to the NSX on 5 February 2014. A copy of this document is available from the NSX website (see www.nsxa.com.au). Vertua's NSX code is VERA.

Unaudited financial information for 30 June 2014 is included in the Independent Expert's Report.

3.5 Issued securities

At the date of this Target’s Statement, the total number of securities in Vertua is 8,473,275 shares. The Offer is made to all persons who hold Vertua Shares as at the date of the Bidder's Statement.

3.6 Substantial shareholders of Vertua

As at 30 June 2014, there were the following top 5 shareholders of Vertua:

Substantial Shareholder	Number of Shares	% Shares
Joe Public Property Management Pty Ltd	1,686,181	19.90
I.C. Maxwell & P. J. Maxwell	200,000	2.36
Woolcott Corporate Development Pty Ltd	200,000	2.36
Hammond & Simonds Pty Ltd	176,820	2.09
Minara Pty Ltd	120,000	1.42
Total	**2,383,001**	**28.13%**

3.7 Directors' interests in Vertua Shares

As at 30 June 2014, the Directors have the following interests, either directly or indirectly, in the Vertua Shares:

Director	Shares	Options	% of issued Capital
James Manning[1]	1,686,181	N/A	19.90
Howard Woolcott[2]	200,000	N/A	2.36
Stephen Simonds[3]	243,840	N/A	2.88
Benjamin Doyle	-	N/A	-

3.8 Recent dealings in Vertua Shares

Except for the acquisitions by Joe Public set out below, Joe Public and its Associates have not acquired any Vertua Shares during the period of four months ending on the day immediately before the date of the Offer.

Trade date (2014)	Settlement date (2014)	No. of Vertua Shares	Price per Share ($)	Total consideration ($)
4 April		41,600	$0.048	$2,000.00
6 May	9 May	121,601	$0.075	$9,170.24
9 May	14 May	20,000	$0.050	$1,000.00
30 May	4 June	70,000	$0.090	$6,300.00
16 June	23 June	1,432,980	$0.12	$171,957.60

Joe Public and its Associates have not disposed of any Vertua Shares during the period of four months ending on the day immediately before the date of the Offer.

3.9 Directors' interests in Joe Public

(a) Shares and other securities in Joe Public

Except as set out below, no Director holds any shares or other securities in Joe Public or a Related Body Corporate of Joe Public. No Director has acquired or disposed of Joe Public Shares in the last four months.

Director	Number of securities and nature of interest
James Manning	2,530,000 (45.68%) shares in Joe Public Limited through Manning Capital Limited (Company Number 4249278) (**Manning Capital Limited**)

(b) Agreements with Joe Public

There are no agreements entered into by a Director and Joe Public.

---

[1] James Manning holds 1,686,181 shares indirectly through Joe Public Property Management Pty Ltd.
[2] Howard Woolcott holds 200,000 shares indirectly through a family superannuation fund.
[3] Stephen Simonds holds 176,820 shares indirectly through Hammond & Simonds Pty Ltd and 67,020 shares indirectly through UBS Wealth Management Australia Nominees Pty Ltd.

(c) **Directorships**

As at the date of this Offer, the following Directors are also directors of Joe Public or a Related Body Corporate of Joe Public:

Director	**Details of directorship**
James Manning	Director of Joe Public (since 3 April 2014)
	Director of Joe Public Limited
	Director of Manning Capital Limited, the 45.68% shareholder of Joe Public Limited

Prior to 14 May 2014, Benjamin Doyle was a director of Joe Public Limited.

3.10 Management of potential conflicts of interest in relation to the Offer

The Directors recognised the potential for conflicts of interest to arise in relation to the Offer in respect of James Manning, who is a director of Joe Public, Joe Public Limited and Manning Capital Limited (the 45.68% shareholder of Joe Public Limited). Accordingly, the Offer was evaluated by the Independent Directors without the participation of James Manning or Benjamin Doyle. In addition, as Stephen Simonds sold some of his shares in Vertua (which he held indirectly by virtue of Hammond & Simonds Pty Ltd) to Joe Public, he has also declined to participate in the evaluation of the Offer.

3.11 Material litigation and disputes

The Independent Directors are not aware of any material legal proceedings, arbitrations or disputes pending or threatened against Vertua.

3.12 No other material information

This Target's Statement is required to include all the information that Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer, but:

(a) only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target's Statement; and

(b) only if the information is known to any Independent Director.

The Independent Directors are of the opinion that the information that Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer is:

(a) the information contained in the Bidder's Statement (to the extent that the information is not inconsistent with or superseded by information in this Target's Statement);

(b) the information contained in Vertua's releases to NSX, prior to the date of this Target's Statement; and

(c) the information contained in this Target's Statement, including the information contained in the Independent Expert's Report.

The Independent Directors have assumed, for the purposes of preparing this Target's Statement, that the information in the Bidders' Statement is accurate (unless they have expressly indicated otherwise in this Target's Statement). The Independent Directors do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all of the statements contained in it.

In deciding what information should be included in this Target's Statement, the Directors of Vertua have had regard to:

(a) the nature of the Vertua Shares;

(b) the matters that Shareholders may reasonably be expected to know;

(c) the fact that certain matters may reasonably be expected to be known to Shareholders' professional advisers; and

(d) the time available to Vertua to prepare this Target's Statement.

3.13 Consents

The following persons have given and have not, before the date of this Target's Statement, withdrawn their consent:

(a) to be named in this Target's Statement in the form and context in which they are named;

(b) for the inclusion of their respective reports or statements (if any) noted next to their names and the references to those reports or statements in the form and context in which they are included in this Target's Statement; and

(c) for the inclusion of other statements in this Target's Statement which are based on or referable to statements made in those reports or statements, or which are based on or referable to other statements made by those persons in the form and context in which they are included.

Person	Named as	Reports or statements
K&L Gates	Legal advisers to Vertua	Nil
Nexia Court Financial Solutions Pty Ltd (AFSL 247300)	Independent Expert	Independent Expert's Report and the references to its conclusions in section 2.4(f) of this Target's Statement
Link Market Services Limited	Share Registry	Nil

Each of the above persons:

(a) does not make, or purport to make, any statement in this Target's Statement other than those statements referred to above and as consented to by that person; and

(b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement other than as described in this section with the person's consent.

As permitted by ASIC Class Order 01/1543, this Target's Statement may include or be accompanied by statements which are made in, or based on, statements made in documents lodged with ASIC or given to NSX. Pursuant to the Class Order, the consent of the makers of those statements are not required to consent to, and have not consented to, inclusion of those statements in this Target's Statement. If you would like to receive a copy of any of those documents (free of charge) please contact Howard Woolcott, chairman on (02) 9089 8863.

3.14 Date

This Target's Statement is dated 24 July 2014, which is the date on which it was lodged with ASIC.

3.15 Approval

This Target's Statement was approved by a resolution of the Independent Directors on 22 July 2014.

Signed for and on behalf of Vertua:

Howard Woolcott
Independent Director

4. Glossary

4.1 Defined Terms

Acceptance Form means the form of acceptance of the Offer enclosed with Bidder's Statement and includes, to avoid doubt, both the Issuer Acceptance Form and the CHESS Acceptance Form.

AEST means Australian Eastern Standard Time.

ASIC means the Australian Securities & Investments Commission.

Associates has the same meaning as in the Corporations Act.

Bidder's Statement means the Bidder's Statement lodged with ASIC by Joe Public.

Board means the board of Directors of Vertua.

CHESS Acceptance Form means the form of acceptance of the Offer for Vertua Shares in a CHESS Holding.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the directors of Vertua.

Independent Directors means the Directors excluding James Manning, Benjamin Doyle and Stephen Simonds.

Independent Expert means Nexia Court Financial Solutions Pty Ltd (AFSL 247300).

Independent Expert's Report means the report prepared by the Independent Expert as to whether the Offer is fair and reasonable, and included as Annexure A to this Target's Statement.

Issuer Acceptance Form means the form of acceptance of the Offer for Vertua Shares in an Issuer Sponsored Holding.

Joe Public means Joe Public Property Management Pty Ltd ACN 164 946 712.

Joe Public Limited Group means Joe Public Limited and its subsidiaries.

Marketable Parcel means a holding of Vertua Shares with a value of not less that $500.00 based on the cum-Offer NSX closing price of Vertua Shares on the date that the relevant Acceptance Form (enclosed with the Bidder's Statement) is received.

NSX means National Stock Exchange of Australia Limited or the financial market which it operates as the context requires.

NSX Listing Rules means the listing rules of the NSX, as amended or replaced from time to time.

NTA means net tangible assets.

Offer means the takeover bid contained in the Bidder's Statement and made by Joe Public for all Vertua Shares.

Offer Close Date has the same meaning as in the Offer.

Offer Consideration means $0.12 in cash for each of your Vertua Shares.

Offer Period has the same meaning as in the Offer.

Register means the register of Vertua Shareholders maintained by Vertua in accordance with the *Corporations Act*.

Register Date means 7:00pm (AEST) on 23 July 2014

Related Body Corporate has the same meaning as given by section 50 of the Corporations Act.

Relevant Interest has the same meaning as given by sections 608 and 609 of the Corporations Act.

Shareholder means a holder of Vertua Shares.

Target's Statement means this target's statement lodged with ASIC by Vertua.

Vertua means Vertua Limited ACN 108 076 295.

Vertua Shares means fully paid class A ordinary shares in Vertua.

Voting Power has the meaning given to that term in section 610 of the Corporations Act.

Your Vertua Shares means, subject to sections 9.5(a) and 9.5(b) of the Bidder's Statement, the Vertua Shares in respect of which you are registered or entitled to be registered as holder in the Register at 9.00 am on the Register Date and to which you are able to give good title at the time you accept the Offer during the Offer Period.

4.2 Interpretation

(a) Unless specified otherwise, or otherwise required by the context, all words and phrases in this Target’s Statement shall have the meanings given to them in the Corporations Act.

(b) Headings are for convenience only and do not affect interpretation. The following rules apply unless the context requires otherwise:

  (i) the singular includes the plural and conversely;

  (i) a gender includes all genders;

  (ii) if a word or phrase is defined, its other grammatical forms have a corresponding meaning;

  (iii) a reference to a person includes a body corporate, an unincorporated body or other entity and conversely; and

  (iv) a reference to legislation or to a provision of legislation includes a modification or re-engagement of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it.

CORPORATE DIRECTORY

Registered Office:	Level 26 44 Market Street Sydney NSW 2000
Directors:	Benjamin John Doyle Howard Woolcott James Manning Stephen Simonds
Secretary:	Howard Woolcott
Share Registry:	Link Market Services Limited
Legal Adviser:	K&L Gates Level 31, 1 O'Connell Street Sydney NSW 2000

Annexure A – Independent Expert's Report

Vertua Limited

Joe Public Property Management Pty Ltd offer for three (3) out of every (8) shares

Independent Expert's Report
and Financial Services Guide

22 July 2014

FINANCIAL SERVICES GUIDE

Dated: 22 July 2014

What is a Financial Services Guide ("FSG")?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by Nexia Court Financial Solutions Pty Ltd ABN 88 077 764 222, Australian Financial Services Licence Number 247300 ("NCFS").

This FSG includes information about:

- NCFS and how they can be contacted
- the services NCFS is authorised to provide
- how NCFS are paid
- any relevant associations or relationships of NCFS
- how complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and
- the compensation arrangements that NCFS has in place.

Where you have engaged NCFS we act on your behalf when providing financial services. Where you have not engaged NCFS, NCFS acts on behalf of our client when providing these financial services and are required to provide you with a FSG because you receive a report or other financial services from NCFS.

Financial Services that NCFS is authorised to provide

NCFS holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for securities and interests in managed investment schemes, including investor directed portfolio serves, to retail clients.

We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of finance products.

NCFS's responsibility to you

NCFS has been engaged by the independent directors of Vertua Limited ("Vertua" or the "Client") to provide general financial product advice in the form of a Report to be included in the Target Statement ("Document") prepared by Vertua in relation to the offer received from Joe Public Property Management Pty Ltd ("Joe Public") to acquire three out of every eight shares in Vertua for a cash consideration of $0.12 a share (the "Offer").

You have not engaged NCFS directly but have received a copy of the Report because you have been provided with a copy of the Document. NCFS or the employees of NCFS are not acting for any person other than the Client.

NCFS is responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General Advice

As NCFS has been engaged by the Client, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Document before making any decision in relation to the Scheme.

Fees NCFS may receive

NCFS charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client, Fees are agreed on either a fixed fee or a time cast basis. In this instance, the Client has agreed to pay NCFS $10,000 to $12,500 (excluding GST and out of pocket expenses) for preparing the Report. NCFS and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of this Report.

Referrals

NCFS does not pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Associations and Relationships

Through a variety of corporate and trust structures NCFS is controlled by and operates as part of the Nexia Court & Co Partnership. NCFS's directors and authorised representative may be partners in the Nexia Court & Co Partnership. Mr Brent Goldman, authorised representative of NCFS and partner in the Nexia Court & Co Partnership, has prepared this report. The financial product advice in the Report is provided by NCFS and not by the Nexia Court & Co Partnership.

From time to time NCFS, the Nexia Court & Co Partnership and related entities (Nexia entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

Over the past two years no professional fees have been received from the Client.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the Proposed Acquisition.

Complaints Resolution

If you have a complaint, please let either NCFS know. Formal complaints should be sent in writing to:

Nexia Court Financial Solutions Pty Ltd
Head of Compliance
PO Box H195
Australia Square NSW 1215

If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer, Craig Wilford, on +61 2 9251 4600 and he will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing,

External Complaints Resolution Process

If NCFS cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service (FOS). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly at:

Financial Ombudsman Service Limited
GPO Box 3, Melbourne Victoria 3001
Telephone: 1300 56 55 62
Facsimile (03) 9613 6399
Email: info@fos.org.au

The Australian Securities and Investments Commission also has a free call infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation Arrangements

NCFS has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).

Contact Details
You may contact NCFS at:
Nexia Financial Solutions Pty Ltd
PO Box H195
Australia Square NSW 1215

nexia australia

the next solution

22 July 2014

The Directors
Vertua Limited
Level 26
44 Market Street
Sydney NSW 2000

Dear Sirs,

Independent Expert's Report on offer received from Joe Public Property Management Pty Ltd

1. INTRODUCTION

1.1 Background

On 5 June 2014, Joe Public Property Management Pty Ltd ACN 164 946 712 ("Joe Public") announced its intention to make a proportional off-market takeover offer for three of every eight shares in Vertua Limited ("Vertua") at for a cash consideration of $0.09 a share. This cash consideration was subsequently increased to $0.12 a share (the "Offer").

If a shareholder owns less than a marketable parcel then Joe Public will buy all of that shareholder's shares at $0.12 a share. A marketable parcel is defined as being more than a $500 stake in Vertua shares based on the cum-Offer asking price on the National Stock Exchange of Australia (the "NSX").

Joe Public currently holds 1,686,181 shares in Vertua, an interest of 19.9%. If the Offer were to be accepted by all shareholders, Joe Public will hold an interest of 49.9% if no unmarketable parcels are acquired.

If the Offer is successful, Howard Woolcott, Chairman of Vertua, intends to stand down to allow Joe Public to nominate a director of their choice.

1.2 Purpose of Report

The purpose of this report is to advise the shareholders of Vertua of the fairness and reasonableness of the Offer.

Under s640 of the Corporations Act, if a director of the bidder is also a director of the target, the target's statement must include or be accompanied by an independent expert's report that states whether, in the opinion of the expert, the takeover is fair and reasonable and gives reasons for forming that opinion. As James Manning is a director of Vertua and Joe Public, an expert's report is required for the Offer.

This report will accompany the Target Statement sent to Vertua's shareholders in relation to the Offer.

2. SUMMARY AND OPINION

This section is a summary of our opinion and cannot substitute for a complete reading of this Report. Our opinion is based solely on information available as at the date of this report.

The principal factors that we have considered in forming our opinion are summarised below.

Nexia Court Financial Solutions Pty Ltd
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Independent member of Nexia International

2.1 Assessment of Fairness

As discussed in section 4.1, in determining whether the transaction is fair to Vertua shareholders, we have compared the fair value of a share in Vertua on a control basis to the cash consideration under the Offer. This is summarised below:

	Low	Preferred	High
Vertua share on a control basis (see section 7)	$0.080	$0.092	$0.104
Cash consideration under the Offer	$0.120	$0.120	$0.120

As the consideration of $0.12 a share under the Offer is greater than the fair value of a Vertua share on a control basis, **we have concluded that the Proposed Transaction is fair**.

2.2 Assessment of Reasonableness

ASIC Regulatory Guide 111 considers an Offer to be reasonable if:

- The Offer is fair; or
- Despite not being fair, but considering other significant factors, shareholders should accept the Offer in the absence of any higher bid before the close of the Offer.

In forming our opinion we have considered the following relevant factors (see section 9).

Advantages	Disadvantages
• Opportunity to realise a cash return on illiquid shares from the Offer • Ability to continue to participate in ongoing operations through retained equity interest in Vertua • Potential to receive benefit from use of tax losses in the future	• Joe Public's interest will increase from 19.9% to 49.9% giving it significant influence and control over Vertua • The share price and liquidity may decrease from the current quoted price of $0.09 due to Joe Public's controlling interest

There are no alternative offers and if the Offer is not successful, Vertua will continue to identify residential property developments in Australia.

As the Offer is fair, and taking into consideration the matters above, **we have concluded that the Offer is reasonable**.

2.3 Opinion

Accordingly, in our opinion, the Offer is fair and reasonable to the Vertua shareholders.

The ultimate decision on whether to accept the Offer should be based on shareholders own assessment of their circumstances. We strongly recommend that shareholders consult their own professional advisers, carefully read all relevant documentation provided, including the Target Statement, and consider their own specific circumstances before voting in favour of or against the Offer.

Yours faithfully
Nexia Court Financial Solutions Pty Ltd (AFSL 247300)

Brent Goldman
Authorised Representative

STRUCTURE OF REPORT

Our report is set out under the following headings:

APPENDICES

3. OUTLINE OF THE OFFER

On 5 June 2014, Joe Public Property Management Pty Ltd ACN 164 946 712 ("Joe Public") announced its intention to make a proportional off-market takeover offer for three of every eight shares in Vertua Limited ("Vertua") at for a cash consideration of $0.09 a share. This cash consideration was subsequently increased to $0.12 a share (the "Offer").

If a shareholder owns less than a marketable parcel then Joe Public will buy all of that shareholder's shares at $0.12 a share. A marketable parcel is defined as being more than a $500 stake in Vertua shares based on the cum-Offer asking price on the National Stock Exchange of Australia (the "NSX").

Joe Public currently holds 1,686,181 shares in Vertua, an interest of 19.9%. If the Offer were to be accepted by all shareholders, Joe Public will hold an interest of 49.9% if no unmarketable parcels are acquired.

If the Offer is successful, Howard Woolcott, Chairman of Vertua, intends to stand down to allow Joe Public to nominate a director of their choice.

4. PURPOSE OF REPORT

The purpose of this report is to advise the shareholders of Vertua of the fairness and reasonableness of the Offer.

Under s640 of the Corporations Act, if a director of the bidder is also a director of the target, the target's statement must include or be accompanied by an independent expert's report that states whether, in the opinion of the expert, the takeover is fair and reasonable and gives reasons for forming that opinion. As James Manning is a director of Vertua and Joe Public, an expert's report is required for the Offer.

This report will accompany the Target Statement sent to Vertua's shareholders in relation to the Offer.

4.1 Basis of Evaluation

The Australian Securities and Investment Commission ("ASIC") has issued Regulatory Guide 111: Content of experts reports ("RG 111"), which provides guidance as to matters that should be considered in determining whether a transaction is fair and reasonable in a range of circumstances.

RG 111 states that in deciding an appropriate form of analysis, the expert needs to consider that the main purpose of the report and that an expert should focus on the purpose and outcome of the transaction; that is the substance of the transaction, rather than the legal mechanism used to effect the transaction.

In determining what is fair and reasonable for a control transaction, RG111 states that:

- an offer is fair if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer, assuming a 100% interest of the target and irrespective of whether consideration is cash or script; and

- an offer is reasonable if it is fair, or if the offer is not fair, the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of a higher bid before the close of an offer.

In determining whether the transaction is fair, the fair value is assumed to be based on a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length.

For the purpose of considering whether or not the Offer is fair we have compared the fair value of a share in Vertua on a control basis to the cash consideration a share under the Offer.

In our assessment of the reasonableness of the Offer, our consideration has included the following matters:

- the bidder's pre-existing voting power in securities in the target;
- other significant security holding blocks in the target;
- the liquidity of the market in the target's securities;
- taxation losses, cash flow or other benefits through achieving 100% ownership of the target;
- any special value to the bidder, such as technology, the potential to write-off outstanding loans from the target, etc;
- the likely market price if the offer is unsuccessful; and
- other significant matters set out in section 9.

4.2 Individual shareholders' circumstances

The ultimate decision whether to accept the Offer should be based on each shareholders' assessment of their own circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt about the Offer or matters dealt with in this report, shareholders should seek independent professional advice.

4.3 Limitations on reliance on information

The documents and information relied on for the purposes of this report are set out in Appendix B. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld. The information provided was evaluated through analysis, enquiry and review for the purpose of forming an opinion as to whether the Offer is fair and reasonable to the shareholders. However, we do not warrant that our enquiries have identified or verified all of the matters which an audit or extensive examination might disclose.

We understand the accounting and other financial information that was provided to us has been prepared in accordance with generally accepted accounting principles.

An important part of the information used in forming an opinion of the kind expressed in this report is the opinions and judgement of management. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.

NCFS are not the auditors of Vertua. We have analysed and reviewed information provided by the Directors and management of Vertua and made further enquiries where appropriate. Preparation of this report does not imply that we have in any way audited the accounts or records of Vertua.

In forming our opinion we have assumed:

- Matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no material legal proceedings, other than as publicly disclosed;
- The information set out in the Target Statement to be sent to shareholders is complete, accurate and fairly represented in all material respect; and
- The publicly available information relied up by NCFS in its analysis was accurate and not misleading.

This report has been prepared after taking into consideration the current economic and market climate. We take no responsibility for events occurring after the date of this report which may impact upon this report or which may impact upon the assumptions referred to in the report.

5. OVERVIEW OF VERTUA

5.1 Corporate History

Vertua is a public company headquartered in Sydney, Australia. The company was incorporated on 20 February 2004 and admitted to the NSX on 12 February 2007. Vertua has one subsidiary Property Fox No 1 Limited ("PF1"), which is 100% owned.

Vertua has 8,473,275 shares on issue as at 30 June 2014. Shares were trading at $0.09 on NSX prior to the announcement of the takeover offer from Joe Public.

5.2 Business Activities

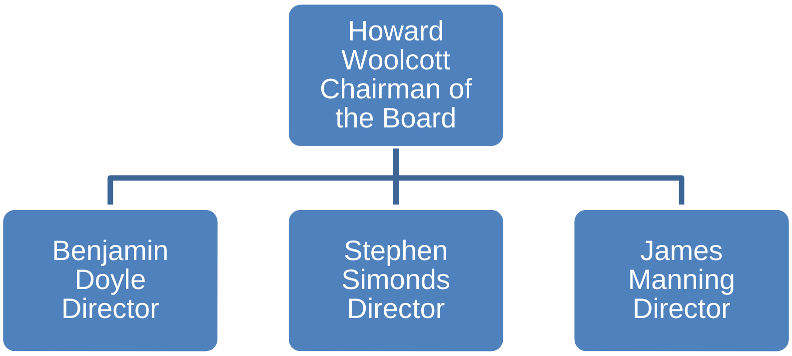
The principal activities of Vertua are the development and sale of residential property. Historically Vertua has operated in south-east Queensland; however, its operations extend to suitable properties across Australia. The focus of the Group is to acquire property with development potential and to realise that potential over time.

After undertaking a feasibility study in relation to the potential development of property held in Toowoomba, it was decided that the better option was to sell the property and look for investment opportunities in the Sydney market. In April 2014, Vertua sold its remaining property in Toowoomba and the Company has been in cash since the date of sale.

On 17 July 2014, Vertua announced that it has exchanged contracts on the purchase of three home unit properties at Lane Cove for $1,470,000. Vertua intends to sub divide one of the units and substantially renovate all of them with the aim of resale next year.

5.3 Directors and Key Management

Following is a diagram of the management structure of Vertua:



If the Offer is successful, Howard Woolcott, Chairman of Vertua, intends to stand down to allow Joe Public to nominate a director of their choice.

5.4 Financial Information

Vertua's auditor's reports for the years ending 30 June 2012 and 2013 were unqualified. The year ending 30 June 2014 is unaudited.

5.4.1 Financial Performance

Set out below are the audited consolidated profit and loss accounts of Vertua for the years ended 30 June 2012 and 2013 and the unaudited consolidated profit and loss account of Ventura for the year ended 30 June 2014:

$		FY2012 Audited	FY2013 Audited	FY2014 Unaudited
Revenue	1	150,385	2,082,231	730,423
Cost of sales		-	(1,933,032)	(573,701)
Gross profit		150,385	149,199	156,722
Management fees		(151,250)	(101,521)	(71,498)
Directors fees	2	(61,290)	(22,000)	-
Finance costs		(91,007)	(86,049)	(15,890)
Professional fees		(59,447)	(75,076)	(125,513)
Property costs		(71,484)	(119,491)	(44,848)
Advertising and Promotion		(72,809)	(3,266)	-
Other expenses from ordinary activities		(81,074)	(47,053)	(43,714)
Inventory write down	3	-	(800,000)	-
Profit / (loss) from ordinary activities before income tax expense		(437,976)	(1,105,257)	(144,741)
Income tax (expense) / benefit relating to ordinary activities		-	-	-
Net profit / (loss) from ordinary activities after related income tax benefit		(437,976)	(1,105,257)	(144,741)
Other comprehensive income		-	-	-
Total comprehensive income		(437,976)	(1,105,257)	(144,741)

Source: Vertua 30 June 2012 and 2013 audited financial statements and 30 June 2014 unaudited draft financial statements

1. FY2013 and FY2014 revenue largely relates to the sale of property and rental income.
2. From December 2012 the Directors agreed that they would not take a fee for acting as a director of the Company until all properties had been sold and the financial position of the Company improved. As a result directors' fees were lower in FY2013 and no directors' fees were paid in FY2014.
3. Vertua previously acquired a number of properties in Toowoomba and had secured development approval for the properties. The property with the development approval was marketed for sale but a buyer was not able to be found. As a result the individual properties were sold off resulting in a lower return to the Group and the losses were expensed.

nexia australia

5.4.2 Financial Position

Set out below is the audited consolidated balance sheet of Vertua as at 30 June 2012 and 30 June 2013 and the unaudited balance sheet as at 30 June 2014.

$		FY2012 Audited	FY2013 Audited	FY2014 Unaudited
CURRENT ASSETS				
Cash and cash equivalents	1	196,449	525,262	759,884
Accrued Revenue		-	2,895	-
		196,449	528,157	759,884
NON-CURRENT ASSETS				
Inventory	2	3,300,937	573,702	-
TOTAL ASSETS		3,497,386	1,101,859	759,884
CURRENT LIABILITIES				
Trade and other payables	3	(106,456)	(6,186)	(8,954)
NON-CURRENT LIABILITIES				
Long term borrowings	2,4	(1,390,000)	(200,000)	-
TOTAL LIABILITIES		(1,496,456)	(206,186)	(8,954)
NET ASSETS		2,000,930	895,673	750,930
EQUITY				
Issued capital		4,546,898	4,546,898	4,546,898
Accumulated losses		(2,545,968)	(3,651,225)	(3,795,968)
TOTAL EQUITY		2,000,930	895,673	750,930

Source: Vertua 30 June 2012 and 2013 audited financial statements and 30 June 2014 unaudited draft financial statements

1. As at 30 June 2014, Vertua has $740,000 invested in a term deposit with NAB at 3.5% due to mature 5 August 2014. The remaining $19,884 is held in two other transaction accounts with NAB.
2. On 17 July 2014, Vertua announced the acquisition of a property in Lane Cove for $1,470,000. Of the total consideration, $73,500 was paid as a deposit. The remaining settlement of $1,396,500 is to be funded through cash reserves and borrowings. Vertua expects to source funding from a major Australian bank, however in the event that funding is not available for settlement, James Manning (a director of Vertua and Joe Public) has agreed to provide finance to the company.
3. In respect of the acquisition of the property, the Group will incur stamp duty and legal costs of approximately $75,000.
4. The outstanding liabilities are to related entities Woolcott Corporate Development Pty Ltd and Fiducia Estate Agents Pty Ltd for services provided to the group.
5. Vertua had tax losses of $1,141,008 at 30 June 2013. The calculation of tax losses for the year ended 30 June 2014 has not yet been performed.

5.5 Capital Structure and Ownership

Vertua's issued capital as at 30 June 2014 comprised 8,473,275 fully paid ordinary shares. The top 10 shareholders, as at the 30 June 2014, hold 33.38% of the issued capital of Vertua and are set out below:

Shareholder	Shareholding	% Total
Joe Public Property Management Pty Ltd	1,686,181	19.90%
I.C. Maxwell & P. J. Maxwell	200,000	2.36%
Woolcott Corporate Development Pty Ltd	200,000	2.36%
Hammond & Simonds Pty Ltd	176,820	2.09%
Minara Pty Ltd	120,000	1.42%
William Lyon	100,000	1.18%
Mirus Vita Pty Ltd	100,000	1.18%
Peter Schaap & Pauline Schaap	90,000	1.06%
Joanne Maree Baulch	80,000	0.94%
Stephen Richard Stiles	75,000	0.89%
Top 10 shareholders	**2,828,001**	**33.38%**
Other shareholders	5,645,274	66.62%
Total shareholders	**8,473,275**	**100.00%**

Source: Vertua 30 June 2014 unaudited draft financial statements

The table below summarises shareholders by size of shareholding at 30 June 2014:

Range	No. of holders	Shares	% of Total
1 – 1,000	-	-	0.00%
1,001 – 5,000	4	20,000	0.24%
5,001 – 10,000	95	940,800	11.10%
10,001 – 100,000	230	5,129,474	60.54%
100,001 and over	5	2,383,001	28.12%
Total	**334**	**8,473,275**	**100.00%**

Source: Vertua 30 June 2014 unaudited draft financial statements

Based on the current closing price of $0.09, a shareholding less than 5,556 shares is an unmarketable parcel for the Offer.

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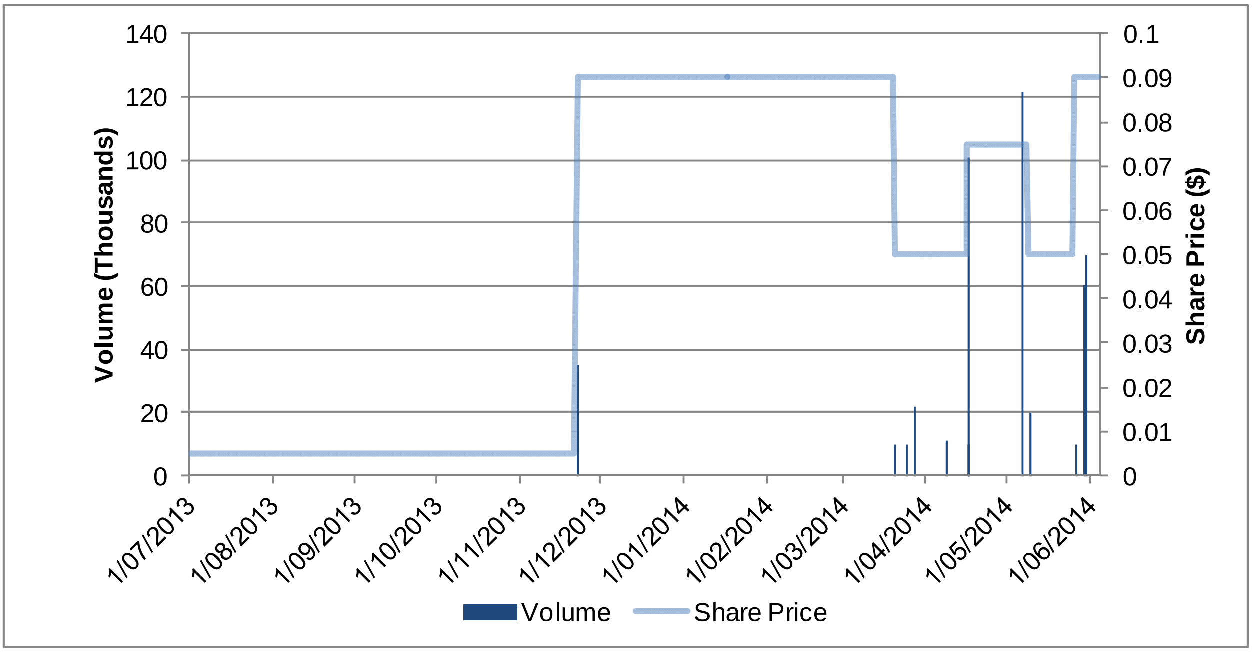
5.6 Share Price and Volume Trading Analysis

The following chart provides a summary of the trading volumes and prices for Vertua shares from 5 June 2013 to 4 June 2014, the last full day of trading prior to the announcement of the Offer:



Source: S&P Capital IQ

The chart above indicates that the closing share price of Vertua has traded within a range of $0.005 and $0.09 over the 12 months to 4 June 2013 (the last full day of trading before the announcement of the Offer). The volume of Vertua shares that have been traded over the period has been consistently low and prices and volumes are summarised in the table below.

Period prior to 31 May 2014	Share Price Low	Share Price High	Cumulative volume traded	Trading as a % of current issued capital
1 Day	$0.09	$0.09	-	0.000%
30 Days	$0.05	$0.09	281,601	3.323%
60 Days	$0.05	$0.09	403,202	4.759%
90 Days	$0.05	$0.09	444,802	5.249%

Source: NSX shares trades register and Nexia analysis

Vertua's shares have a low level of liquidity, with only 5.249% of Vertua's capital being traded in the last 90 days.

6. VALUATION METHODOLOGIES

6.1 Definition of market value

In forming our opinion as to whether or not the Offer is fair and reasonable to the Vertua shareholders, we have assessed the value of the issued shares of Vertua on a fair value basis. RG 111 defines fair value as the amount:

"assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length..."

6.2 Selection of Methodology

RG 111 provides guidance on the valuation methods that an independent expert should consider. These methods include:

- the discounted cash flow method and the estimated realisable value of any surplus assets;
- the application of earnings multiples (appropriate to the business or industry in which the entity operates) to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets;
- the amount that would be available for distribution to security holders on an orderly realisation of assets;
- the quoted price for listed securities, when there is a liquid and active market and allowing for the fact that the quoted price may not reflect their value, should 100% of the securities be available for sale;
- any recent genuine offers received by the target for the entire business, or any business units or assets as a basis for valuation of those business units or assets; and
- the amount that an alternative bidder might be willing to offer if all the securities in the target were available for purchase.

Each methodology is appropriate in certain circumstances. The decision as to which methodology to apply generally depends on the nature of the asset being valued, the methodology most commonly applied in valuing such an asset and the availability of appropriate information.

In determining the fair value of Vertua, we have applied the net asset valuation methodology. As a secondary valuation methodology we have considered the quoted share price. We have determined these to be the most appropriate methodologies as:

- Vertua is currently holding cash and as announced on 17 July 2014 will be acquiring an investment property. Vertua's interest in these assets is in improving their value rather than trading activities and, therefore, the net asset value reflects the company's underlying activities and value.
- Vertua shares are thinly traded and therefore the quoted market price is not necessarily an accurate reflection of the fair market value of a share in Vertua.

7. VALUE OF VERTUA

7.1 Net Asset Valuation of Vertua

The fair value of Vertua based on a net asset basis is set out below:

	$
Net asset value at 30 June 2014 (see section 5.4.2)	750,930
Adjustment for property acquisition (see below)	(75,000)
Adjusted net assets	675,930
Shares on issue	8,473,275
Net asset value per share	**$0.080**

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On 17 July 2014, Verua announced the acquisition of property at Lane Cove. The property was purchased from a third party and the consideration reflects fair value. The acquisition is to be funded through existing cash reserves and additional borrowings. As a result, the net asset fair value will be the same as determined based on the position in section 5.4.2, except for transaction costs (being stamp duty and legal costs) that are expected to be incurred. The estimated transaction costs are adjusted above.

The net assets value reflects the value of a Vertua share on a control basis. A controlling interest is where a shareholder has advantages such as the ability to exert influence over the strategic direction and cash flow of a company, amongst other things. RG 111 requires consideration of an interest in the target as if 100% had been acquired and, therefore, for the purposes of the Offer, the fair value of a Vertua share on a control basis is considered appropriate.

7.2 Quoted market price of Vertua

There has been a low volume of share trading in Vertua since was admitted to the NSX. The table below summarises the low, high and volume weighted average price for the 90 days to 4 June 2014, the last full day of trading before the announcement of the Offer

$/share prior to 4 June 2014	Low	High	VWAP
1 day	$0.090	$0.090	$0.090
30 days	$0.050	$0.090	$0.081
60 days	$0.050	$0.090	$0.078
90 days	$0.050	$0.090	$0.075

Source: NSX shares trades register and Nexia analysis

The traded prices represent the share price for a minority interest in Vertua. To determine a fair value of a Vertua share on a control basis the above has been adjusted for a control premium. Studies indicate that a control premium can range from 20% to 35%. Based on the above we have determined that fair value of a share based on the quoted market price for the purposes of the Offer to be:

	Low	Preferred	High
VWAP range from above	$0.075	$0.083	$0.090
Control premium applied	20%	25%	30%
Vertua share on a control basis	**$0.090**	**$0.104**	**$0.117**

7.3 Conclusion on fair value of a share in Vertua on a control basis

In determining the fair value range, we have considered the net asset valuation and the fair value based on the share trading. The value calculated based on the net asset value (see section 7.1) has been used for the low end of the range and we have applied the preferred valuation based on the quoted share price (see section 7.2) to determine the high end in our range.

Our conclusion as to the fair value of a share in Vertua on a control basis is set out below:

	Low	Preferred	High
Vertua share on a control basis	$0.080	$0.092	$0.104

8. ASSESSMENT OF FAIRNESS

As discussed in section 4.1, in determining whether the transaction is fair to Vertua shareholders, we have compared the fair value of a share in Vertua on a control basis to the cash consideration under the Offer. This is summarised below:

	Low	Preferred	High
Vertua share on a control basis	$0.080	$0.092	$0.104
Cash consideration under the Offer	$0.120	$0.120	$0.120

As the consideration of $0.12 a share under the Offer is greater than the fair value of a Vertua share on a control basis, **we have concluded that the Proposed Transaction is fair**.

9. ASSESSMENT OF REASONABLENESS

9.1 Approach to assessing Reasonableness

In forming our conclusions in this report, we have compared the advantages and disadvantages to shareholders if the Offer proceeds.

9.2 Advantages of the Offer

We outline below potential advantages of the Offer:

Advantage	Explanation
Opportunity to realise a cash return on illiquid shares from the Offer	There is limited trading in Vertua's shares making it difficult for shareholders to realise their investment. The cash offer provides shareholders with the opportunity to realise 37.5% of their investment and those shareholders with less than $500 in shares to realise their entire investment.
Ability to continue to participate in ongoing operations through retained equity interest in Vertua	The Offer forms part of Joe Public's expansion into the Australian residential development market. The retention of some equity provides shareholders the opportunity to participate in ongoing operations. Depending on the future success of the Group, the ongoing operations may provide shareholders with an increase in the share price and liquidity.
Potential to receive benefit from use of tax losses in the future	Vertua had $1,141,008 of tax losses at 30 June 2013 that may be available to offset against any future tax payable, subject to meeting the requirements of relevant tax legislation.

9.3 Disadvantages of the Offer

We outline following the potential disadvantages of the Offer:

Disadvantage	Explanation
Joe Public's interest will increase from 19.9% to 49.9% giving it significant influence and control over Vertua	If the Offer is successful Joe Public will effective control over Vertua and have significant influence and control over the assets and strategic direction of the Group. Joe Public's holding also means that it may be able to block any future offers for the Company meaning that shareholders may not be able to receive a premium for control in the future.
The share price and liquidity may decrease from the current quoted price of $0.09 due to Joe Public's controlling interest	The significant increase in Joe Public's interest in Vertua reduces the free float of shares and may negatively impact both liquidity and the share price from the current traded price of $0.09. We note that this is lower that the cash consideration under the Offer.

9.4 Alternatives to the Offer

The Directors have informed us that there are currently no other alternatives to the Offer.

9.5 Implications of the Offer not proceeding

If the Proposed Transaction does not proceed, Vertua will continue to invest and develop properties as and when the right property becomes available.

9.6 Conclusion as to Reasonableness

In accordance with RG 111, an Offer is reasonable if:

- The Offer is fair; or
- Despite not being fair, but considering other significant factors, shareholders should obtain an overall benefit if the Offer proceeds.

As the Offer is fair and, taking into account other significant factors, **we have concluded that the Offer is reasonable.**

10. OPINION

Accordingly, in our opinion, the Offer is fair and reasonable to the Vertua shareholders.

The ultimate decision on whether to accept the Offer should be based on shareholders own assessment of their circumstances. We strongly recommend that shareholders consult their own professional advisers, carefully read all relevant documentation provided, including the Target Statement, and consider their own specific circumstances before voting in favour of or against the Offer.

APPENDIX A – GLOSSARY

Term	Definition
ASIC	Australia Securities and Investment Commission
Company or Vertua	Vertua Limited (ACN 108 076 295)
Corporations Act	Corporations Act 2001 (Cth)
FSG	Financial Services Guide
FY2012	the financial year ending or as at 30 June 2012
FY2013	the financial year ending or as at 30 June 2013
FY2014	the financial year ending or as at 30 June 2014
Group	Vertua and its subsidiaries
Joe Public	Joe Public Property Management Pty Ltd (ACN 164 946 712)
Marketable Parcel	More than $500 in Vertua shares based on the cum-Offer asking price on the NSX
NCFS	Nexia Court Financial Solutions Pty Ltd (AFSL 247300)
NSX	National Stock Exchange of Australia
Offer	The offer from Joe Public to purchase three of every eight shares in Vertua for a cash consideration of $0.12 per share
PF1	Property Fox No 1 Limited (ACN 101 816 353)
Report	Independent Expert's Report
RG 111	ASIC Regulatory Guide 111: Content of expert reports
Target Statement	Document to be sent to shareholders to be dated on or around 24 July 2014 and sent to shareholders on or around 29 July 2014 in which this Report is included
Vertua	Vertua Limited
VWAP	Volume Weighted Average Price of shares

APPENDIX B - SOURCES OF INFORMATION

- APES 225 – Valuation Services
- Announcement to the NSX on 17 July 2014, 'Vertua Limited purchases home unit properties in the Sydney suburb of Lane Cove'
- Australia Securities and Investment Commission's (ASIC) database
- Audited financial statements of Vertua Limited for the years ended 30 June 2012 and 2013
- Draft financial statements for the year ending 30 June 2014
- Draft Target's Statement prepared by Vertua Limited
- National Stock Exchange of Australia, 'www.nsxa.com.au'
- Regulatory Guide 111: Content of expert reports
- Regulatory Guide 112: Independence of expert's reports
- S&P Capital IQ
- Unaudited financial statements of Vertua Limited for the year ended 30 June 2014
- Various company bank statements for Vertua Limited for the year ended 30 June 2014

APPENDIX C - STATEMENT OF DECLARATION & QUALIFICATIONS

Confirmation of Independence

Prior to accepting this engagement Nexia Court Financial Solutions Pty Ltd ("NCFS") determined its independence with respect to Vertua, and Joe Public with reference to ASIC Regulatory Guide 112: Independence of expert's reports ("RG 112"). NCFS considers that it meets the requirements of RG 112 and that it is independent of Vertua and Joe Public.

Also, in accordance with s648 (2) of the Corporations Act we confirm we are not aware of any business relationship or financial interest of a material nature with Vertua or Joe Public, its related parties or associates that would compromise our impartiality.

Mr Brent Goldman, authorised representative of NCFS, has prepared this report. Neither he nor any related entities of NCFS have any interest in the promotion of the Offer nor will NCFS receive any benefits, other than normal professional fees, directly or indirectly, for or in connection with the preparation of this report. Our fee is not contingent upon the success or failure of the Offer, and has been calculated with reference to time spent on the engagement at normal professional fee rates for work of this type. Accordingly, NCFS does not have any pecuniary interests that could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion under this engagement.

NCFS provided a draft copy of this report to the Directors and management of Vertua for their comment as to factual accuracy, as opposed to opinions, which are the responsibility of NCFS alone. Changes made to this report, as a result of the review by the Directors and management of Vertua have not changed the methodology or conclusions reached by NCFS.

Reliance on Information

The statements and opinions given in this report are given in good faith and in the belief that such statements and opinions are not false or misleading. In the preparation of this report NCFS has relied upon information provided on the basis it was reliable and accurate. NCFS has no reason to believe that any information supplied to it was false or that any material information (that a reasonable person would expect to be disclosed) has been withheld from it. NCFS evaluated the information provided to it by Vertua and Joe Public as well as other parties, through enquiry, analysis and review, and nothing has come to its attention to indicate the information provided was materially mis-stated or would not afford reasonable grounds upon which to base its report. Accordingly, we have taken no further steps to verify the accuracy, completeness or fairness of the data provided.

Our procedures and enquiries do not include verification work, nor constitute an audit or review in accordance with Australian Auditing Standards (AUS). NCFS does not imply and it should not be construed that it has audited or in any way verified any of the information provided to it, or that its enquiries could have verified any matter which a more extensive examination might disclose.

The sources of information that we relied upon are outlined in Appendix I of this report.

Qualifications

NCFS carries on business at Level 16, 1 Market Street, Sydney NSW 2000. NCFS holds Australian Financial Services Licence No 247300 authorising it to provide financial product advice on securities to retail clients. NCFS's representatives are therefore qualified to provide this report.

Brent Goldman specifically was involved in the preparing and reviewing this report. Brent Goldman is a Fellow of the Institute of Chartered Accountants in Australia and New Zealand and a Fellow of the Financial Services Institute of Australasia. He has over 15 years of corporate finance experience in both Australia and the UK.

Consent and Disclaimers

The preparation of this report has been undertaken at the request of the Directors of Vertua. It also has regard to relevant ASIC Regulatory Guides. It is not intended that the report should be used for any other purpose than to accompany the Target Statement to be sent to Vertua shareholders. In particular, it is not intended that this report should be used for any purpose other than as an expression of NCFS's opinion as to whether or not the Offer is fair and reasonable to Vertua shareholders.

NCFS consent to the issue of this report in the form and context in which it is included in the Target Statement to be sent to Vertua shareholders.

Shareholders should read all documents issued by Vertua that consider the Offer in their entirety, prior to proceeding with a decision. NCFS had no involvement in the preparation of these documents, with the exception of our report.

This report has been prepared specifically for the shareholders of Vertua. Neither NCFS, nor any member or employee thereof undertakes responsibility to any person, other than a shareholder of Vertua, in respect of this report, including any errors or omissions howsoever caused. This report is "General Advice" and does not take into account any person's particular investment objectives, financial situation and particular needs. Before making an investment decision based on this advice, you should consider, with or without the assistance of a securities advisor, whether it is appropriate to your particular investment needs, objectives and financial circumstances.

Our procedures and enquiries do not include verification work, nor constitute an audit or review in accordance with Australian Auditing Standards (AUS).

Our opinions are based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time. Furthermore, financial markets have been particularly volatile in recent times. Accordingly, if circumstances change significantly, subsequent to the issue of the report, our conclusions and opinions may differ from those stated herein. There is no requirement for NCFS to update this report for information that may become available subsequent to its date.

APPENDIX D - VALUATION METHODOLOGIES

In preparing this report we have considered valuation methods commonly used in practice and those recommended by RG 111. These methods include:

- the discounted cash flow method;
- the capitalisation of earnings method;
- asset based methods; and
- analysis of share market trading.

The selection of an appropriate valuation method to estimate Fair Market Value should be guided by the actual practices adopted by potential acquirers of the company involved.

Discounted Cash Flow Method

Description

Of the various methods noted above, the discounted cash flow method has the strongest theoretical standing. It is also widely used in practice by corporate acquirers and company analysts. The discounted cash flow method estimates the value of a business by discounting expected future cash flows to a present value using an appropriate discount rate. A discounted cash flow valuation requires:

- a forecast of expected future cash flows;
- an appropriate discount rate; and
- an estimate of terminal value.

It is necessary to project cash flows over a suitable period of time (generally regarded as being at least five years) to arrive at the net cash flow in each period. For a finite life project or asset this would need to be done for the life of the project. This can be a difficult exercise requiring a significant number of assumptions such as revenue growth, future margins, capital expenditure requirements, working capital movements and taxation.

The discount rate used represents the risk of achieving the projected future cash flows and the time value of money. The projected future cash flows are then valued in current day terms using the discount rate selected.

A terminal value reflects the value of cash flows that will arise beyond the explicit forecast period. This is commonly estimated using either a constant growth assumption or a multiple of earnings (as described under capitalisation of future maintainable earnings below). This terminal value is then discounted to current day terms and added to the net present value of the forecast cash flows.

The discounted cash flow method is often sensitive to a number of key assumptions such as revenue growth, future margins, capital investment, terminal growth and the discount rate. All of these assumptions can be highly subjective sometimes leading to a valuation conclusion presented as a range that is too wide to be useful.

Use of the Discounted Cash Flow Method

A discounted cash flow approach is usually preferred when valuing:

- early stage companies or projects;
- limited life assets such as a mine or toll concession;
- companies where significant growth is expected in future cash flows; or
- projects with volatile earnings.

It may also be preferred if other methods are not suitable, for example if there is a lack of reliable evidence to support a capitalisation of earnings approach. However, it may not be appropriate if reliable forecasts of cash flow are not available and cannot be determined.

Capitalisation of Earnings Method

Description

The capitalisation of earnings method is a commonly used valuation methodology that involves determining a future maintainable earnings figure for a business and multiplying that figure by an appropriate capitalisation multiple. This methodology is generally considered a short form of a discounted cash flow, where a single representative earnings figure is capitalised, rather than a stream of individual cash flows being discounted. The capitalisation of earnings methodology involves the determination of:

- a level of future maintainable earnings; and
- an appropriate capitalisation rate or multiple.

A multiple can be applied to any of the following measures of earnings:

Revenue – most commonly used for companies that do not make a positive EBITDA or as a cross-check of a valuation conclusion derived using another method.

EBITDA - most appropriate where depreciation distorts earnings, for example in a company that has a significant level of depreciating assets but little ongoing capital expenditure requirement.

EBIT - in most cases EBIT will be more reliable than EBITDA as it takes account of the capital intensity of the business.

NPAT - relevant in valuing businesses where interest is a major part of the overall earnings of the group (e.g. financial services businesses such as banks).

Multiples of EBITDA, EBITA and EBIT value the whole businesses, or its enterprise value irrespective of the gearing structure. NPAT (or P/E) values the equity of a business

The multiple selected to apply to maintainable earnings reflects expectations about future growth, risk and the time value of money all wrapped up in a single number. Multiples can be derived from three main sources.

Using the guideline public company method, market multiples are derived from the trading prices of stocks of companies that are engaged in the same or similar lines of business and that are actively traded on a free and open market, such as the ASX. The merger and acquisition method is a method whereby multiples are derived from transactions of significant interests in companies engaged in the same or similar lines of business. In Australia this has been called the comparable transaction methodology.

Use of the Capitalisation of Earnings Method

The capitalisation of earnings method is widely used in practice. It is particularly appropriate for valuing companies with a relatively stable historical earnings pattern which is expected to continue. This method is less appropriate for valuing companies or assets if:

- there are no suitable listed company or transaction benchmarks for comparison;
- the asset has a limited life;
- future earnings or cash flows are expected to be volatile; or
- there are negative earnings or the earnings of a business are insufficient to justify a value exceeding the value of the underlying net assets.

Asset Based Methods

Description

Asset based valuation methods estimate the value of a company based on the realisable value of its net assets, less its liabilities. There are a number of asset based methods including:

- orderly realisation;
- liquidation value;
- net assets on a going concern basis;
- replacement cost; and
- reproduction cost.

The orderly realisation of assets method estimates Fair Market Value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame.

Since wind up or liquidation of the company may not be contemplated, these methods in their strictest form may not necessarily be appropriate. The net assets on a going concern basis method estimates the market values of the net assets of a company but does not take account of realisation costs.

The asset / cost approach is generally used when the value of the business' assets exceeds the present value of the cash flows expected to be derived from the ongoing business operations, or the nature of the business is to hold or invest in assets. It is important to note that the asset approach may still be the relevant approach even if an asset is making a profit. If an asset is making less than an economic rate of return and there is no realistic prospect of it making an economic return in the foreseeable future, an asset approach would be the most appropriate method.

Use of Asset Based Methods

An asset-based approach is a suitable valuation method when:

- an enterprise is loss making and is not expected to become profitable in the foreseeable future;
- assets are employed profitably but earn less than the cost of capital;
- a significant portion of the company's assets are composed of liquid assets or other investments (such as marketable securities and real estate investments); or
- it is relatively easy to enter the industry (for example, small machine shops and retail establishments).

Asset based methods are not appropriate if:

- the ownership interest being valued is not a controlling interest, has no ability to cause the sale of the company's assets and the major holders are not planning to sell the company's assets; or
- a business has (or is expected to have) an adequate return on capital, such that the value of its future income stream exceeds the value of its assets.

Analysis of Share Trading

The most recent share trading history provides evidence of the Fair Market Value of the shares in a company where they are publicly traded in an informed and liquid market. There should also be some similarity between the size of the parcel of shares being valued and those being traded. Where a company's shares are publicly traded then an analysis of recent trading prices should be considered, at least as a cross-check to other valuation methods.