

# **Vertua Limited**

ACN 108 076 295

## **NOTICE OF ANNUAL GENERAL MEETING AND EXPLANATORY STATEMENT**

### **DATE AND TIME OF MEETING**

Friday, 4 September 2015 at 9:00am (AEST)

### **VENUE**

Carrington Forsyth  
Level 5, 97 Pacific Highway  
North Sydney NSW 2060

**These documents should be read in their entirety.**

**If Shareholders are in any doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser.**

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## NOTICE OF ANNUAL GENERAL MEETING

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Notice is hereby given that the 2015 Annual General Meeting of Shareholders of Vertua Limited ACN 108 076 295 (the **Company**) will be held on Friday, 4 September 2015, at 9:00 am (AEST) at Carrington Forsyth, Level 5, 97 Pacific Highway, North Sydney NSW 2060 (the **Meeting**).

The Explanatory Statement that accompanies and forms part of this Notice of Annual General Meeting (the **Notice**) describes in more detail the matters to be considered at the Meeting.

Please refer towards the rear of the Explanatory Statement accompanying this Notice for a glossary of terms used in this Notice and in the Explanatory Statement. Unless otherwise stated, all references to sums of money, '\$' and 'dollars' are references to Australian currency.

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## ORDINARY BUSINESS

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### 1. Financial statements and reports

To receive and consider the Annual Report of the Company for the 9-month period ended 31 March 2015, which includes the Annual Financial Report of the Company, the Directors' Report and the Auditor's Report.

### 2. Resolution 1: Remuneration report

To consider and, if thought fit, to pass the following advisory resolution:

*"That for the purposes of section 250R(2) of the Corporations Act 2001 and for all other purposes, the Company adopts the Remuneration Report for the 9-month period ended 31 March 2015 included in the Directors' Report of the Company for that year."*

#### Voting exclusion statement

The Company will disregard any votes cast on resolution 1 (in any capacity) by, or on behalf of, the following persons:

- (a) a member of the key management personnel (**KMP**) details of whose remuneration are included in the 2015 Remuneration Report; or
- (b) a closely related party, as that term is defined in the *Corporations Act 2001* and includes persons such as close family members of any controlled companies (**Closely Related Party**) of such a member of the KMP.

However, the Company will not disregard the vote if it is cast as a proxy for a person who is entitled to vote and:

- (a) the proxy appointment is in writing and specifies the way the proxy is to vote on the resolution; or
- (b) the vote is cast by the person chairing the Meeting and the appointment:
  - (i) does not specify the way the proxy is to vote; and
  - (ii) expressly authorises the chair of the Meeting to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the KMP.

**Note:** under section 250R(3) of the *Corporations Act 2001*, the vote on this resolution is advisory only and does not bind the Directors or the Company.

3. **Resolution 2: Re-election of Director – Mr Benjamin Doyle**

To consider and, if thought fit, pass the following ordinary resolution:

*“That Mr Benjamin Doyle, who retires by rotation in accordance with rule 12.9 of the constitution of the Company, and being eligible, offers himself for re-election as a Director, be re-elected as a Director of the Company effective at the close of this Meeting.”*

**Voting exclusion statement**

All shareholders may vote on this resolution.

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**SPECIAL BUSINESS**

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4. **Resolution 3: Approval of change in nature and scale of activities**

To consider and, if thought fit, pass without amendment the following ordinary resolution:

*“That for the purposes of NSX Listing Rule 6.41 and for all other purposes, approval be given to the significant change in the nature and scale of activities of the Company described in the Explanatory Statement accompanying this Notice of Meeting.”*

**Voting exclusion statement**

All shareholders may vote on this resolution.

5. **Resolution 4: NSX LR 6.43 approval of acquisition of substantial asset – HPM shares**

To consider and, if thought fit, pass without amendment the following ordinary resolution:

*“That for the purposes of NSX Listing Rule 6.43 and for all other purposes, approval is given for Vertua Investments Limited, a wholly-owned direct subsidiary of the Company, to acquire all of the issued share capital of Horizon Print Management Pty Limited ABN 17 158 922 242 from Carrington Forsyth Investments Pty Limited ACN 134 434 414 under a Share Sale Agreement as described in the Explanatory Statement accompanying this Notice of Meeting.”*

**Voting exclusion statement**

All shareholders may vote on this resolution.

6. **Resolution 5: Approval of giving of financial benefits under Secured Loan Agreement, General Security Agreement, Priority Deed and Share Option Deed**

To consider and, if thought fit, pass without amendment the following ordinary resolution:

*“That for the purposes of section 208 of the Corporations Act 2001 and for all other purposes, approval is given for the Company to give Manning Group Pty Limited ACN 151 722 360 in its capacity as trustee of the Manning Group Trust financial benefits under a Secured Loan Agreement, a General Security Agreement, a Priority Deed and a Share Option Deed described in the Explanatory Statement accompanying this Notice of Meeting.”*

#### **Voting exclusion statement**

The Company will disregard any votes cast on this resolution by Manning Group Pty Limited ACN 151 722 360 (**Manning Group**) and its associates. However, the Company need not disregard any such vote if:

- it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and
- it is not cast on behalf of Manning Group or any of its associates.

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#### **7. Resolution 6: Takeovers provisions approval of issue of shares to Manning Group under Share Option Deed**

To consider and, if thought fit, pass without amendment the following ordinary resolution:

*“That for the purposes of section 611, item 7 of the Corporations Act 2001 and for all other purposes, approval is given for the Company to issue fully paid class A ordinary shares to Manning Group Pty Limited ACN 151 722 360 in its capacity as trustee of the Manning Group Trust under and on the terms and conditions of the Share Option Deed between the Company and Manning Group Pty Limited described in the Explanatory Statement.”*

#### **Voting exclusion statement**

The Company will disregard any votes cast in favour of resolution 6 by Manning Group and its associates. However, the Company need not disregard any such vote if:

- it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and
- it is not cast on behalf of Manning Group or any of its associates.

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#### **8. Resolution 7: NSX LR 6.44 approval of issue of shares to Manning Group under Share Option Deed**

To consider and, if thought fit, pass the following special resolution:

*“That for the purposes of NSX Listing Rule 6.44 and for all other purposes, approval is given for the Company to issue fully paid class A ordinary shares to Manning Group Pty Limited ACN 151 722 360 in its capacity as trustee of the Manning Group Trust under and on the terms and conditions of the Share Option Deed between the Company and Manning Group Pty Limited described in the Explanatory Statement.”*

#### **Voting exclusion statement**

All shareholders may vote on this resolution.

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#### **9. Resolution 8: NSX LR 6.25 approval of issue of shares to Manning Group under Share Option Deed**

To consider and, if thought fit, pass without amendment the following ordinary resolution:

*“That for the purposes of NSX Listing Rule 6.25 and for all other purposes, approval is given for the Company to issue fully paid class A ordinary shares to Manning Group Pty Limited ACN 151 722 360 in its capacity as trustee of the Manning Group Trust under and on the terms and conditions of the Share Option Deed between the Company and Manning Group Pty Limited described in the Explanatory Statement.”*

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**Voting exclusion statement**

All shareholders may vote on this resolution.

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**BY ORDER OF THE BOARD**A handwritten signature in black ink, appearing to be 'C. Bregenhøj', written over a light blue grid background.

Christopher Bregenhøj  
Chairman

31 July 2015

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## IMPORTANT INFORMATION

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### Voting Entitlement

For the purpose of regulation 7.11.37 of the *Corporations Regulations 2001*, the Directors have determined that the shareholding of each Shareholder for the purposes of ascertaining their voting entitlements for the Meeting will be as it appears on the Company's share register at 5.00 pm (AEST) on Wednesday, 2 September 2015 (the **Entitlement Time**).

Accordingly, only those persons registered as holders of Shares at the Entitlement Time will be entitled to attend and vote at the Meeting as shareholders. Transactions registered after that time will be disregarded in determining Shareholders entitled to attend and vote at the Meeting.

### Required Majorities

In accordance with the *Corporations Act 2001*, for the Resolutions to be effective:

- the resolutions must be passed at a meeting of which not less than 28 days' written notice has been given; and
- in the case of an ordinary resolution, the resolution must be passed by more than 50% of the votes cast by Shareholders present and entitled to vote on the resolution, whether in person or by proxy, attorney or representative; and
- in the case of a special resolution, the resolution must be passed by at least 75% of the votes cast by Shareholders present and entitled to vote on the resolution, whether in person or by proxy, attorney or representative.

### Voting rights

On a show of hands every Shareholder has one vote, and on a poll, every Shareholder has one vote for each fully paid ordinary share held in the capital of the Company.

### Proxies

A Proxy Form accompanies this Notice. A Shareholder entitled to attend and vote at the Meeting may appoint a proxy. A proxy need not be a member of the Company. Where more than one proxy is appointed by a Shareholder who is entitled to do so, each proxy must be appointed to represent a specified proportion of the Shareholder's voting rights.

To be valid, the proxy form must be received by the share registrar of the Company, Link Market Services Limited, by no later than 9:00am (AEST) on Wednesday, 2 September 2015 (48 hours prior to the Meeting).

The proxy form can be sent to Link Market Services:

By post: Locked Bag A14  
Sydney South NSW 1235  
Australia

By facsimile: +61 2 9287 0309

### Enquiries

All enquires in relation to the Meeting, the Notice or the Explanatory Statement should be directed to the Chairman, Mr Christopher Bregenhoj, on +61 2 8624 6160.

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## EXPLANATORY STATEMENT

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### INTRODUCTION

This Explanatory Statement has been prepared for the benefit of Shareholders in accordance with the applicable provisions of the NSX Listing Rules and the *Corporations Act 2001* to provide them with sufficient information to ensure that they are informed of all substantial matters relevant to the resolutions proposed to be considered at the Meeting.

The Meeting is being held so that the Directors can table the financial statements and reports of the Company and the Company's auditor for the 9-month period to 31 March 2015 and so that Shareholders can vote on the re-election of Directors. This is known as the ordinary business of the Meeting. The meeting has also been convened to consider special business associated with the announced agreement to acquire Horizon Print Management Pty Limited and the financing of that acquisition.

Shareholders should read this Explanatory Statement in full. Its individual sections do not give a comprehensive review of all the resolutions. Further, this Explanatory Statement should be read in conjunction with the Notice and the Glossary that appears at the end of the Explanatory Statement, where various terms used in both the Notice and this Explanatory Statement are defined. Unless otherwise stated, all references to sums of money, '\$' and 'dollars' are references to Australian currency.

If you are in any doubt about what to do in relation to the resolutions contemplated in the Notice and Explanatory Statement, you should seek advice from an accountant, solicitor or other professional adviser.

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### ORDINARY BUSINESS

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#### Financial statements and reports

The *Corporations Act 2001* and the constitution of the Company require the financial statements, Directors' Report (including the remuneration report) and Auditor's Report for the 9-month period ended 31 March 2015 to be tabled before the Meeting, and the Constitution of the Company provides for such statements and reports to be received and considered at the meeting.

Neither the *Corporations Act 2001* nor the Constitution of the Company requires a vote of Shareholders at the meeting on such statements and reports.

However, the meeting provides a forum for members to ask questions and make comments on the Company's financial statements and reports and on the business operations of the Company for the 9-month period ended 31 March 2015.

In addition, in accordance with section 250T of the *Corporations Act 2001*, a representative of the Company's auditors (the **Auditor**) is required to be in attendance.

Members may ask the audit representative questions at the meeting on the following matters:

- (a) the conduct of the audit;
- (b) the independence of the Auditor in its conduct of the audit; and
- (c) the accounting policies adopted by the Company for the preparation of the financial statements.

Shareholders may submit written questions to the Auditor on the above items. Any written questions to the Auditor must be submitted to the Company by no later than 5:00 pm on the fifth business day before the date of the Meeting, i.e., by 5.00 pm on Friday, 28 August 2015.

## **1. Resolution 1: Remuneration report**

### **1.1 Shareholder approval**

Pursuant to section 250R(2) of the *Corporations Act 2001*, the Board is seeking the approval of members to adopt the Remuneration Report for the 9-month period ended 31 March 2015, by way of an advisory resolution.

### **1.2 Corporations Act 2001 requirements**

The Remuneration Report sets out the Company's remuneration policy and reports the remuneration arrangements in place for the Executive and Non-Executive Directors of the Company and certain executives whose remuneration arrangements are required to be disclosed.

The Remuneration Report forms part of the Director's Report, which is contained in the Annual Report of the Company for the 9-month period ended 31 March 2015.

Section 250R(3) of the *Corporations Act 2001* requires that at a listed company's annual general meeting, a resolution that the Remuneration Report be adopted must be put to the vote.

However, pursuant to section 250R(3) of the *Corporations Act 2001*, the vote on the resolution is advisory only and does not bind the Directors or the Company.

Notwithstanding this, the Directors will take into account the discussion on this item and the outcome of this vote when considering future remuneration arrangements of the Company, particularly in light of the obligations of the Directors pursuant to Division 9 of Part 2G.2 of the *Corporations Act 2001*.

Additionally, section 250SA of the *Corporations Act 2001* requires that a reasonable opportunity be allowed to members at the meeting to ask questions about, or make comments on, the Remuneration Report.

Furthermore, if at least 25% of the votes cast on resolution 1 are voted against adoption of the Remuneration Report at the Meeting, the Company is required to put to members at the Company's 2016 Annual General Meeting a resolution



**(Spill Resolution)** proposing the calling of another general meeting **(Spill Meeting)** to consider the appointment of Directors of the Company. However, the Spill Resolution will only be put to the vote at the Company's 2017 Annual General if at least 25% of votes are also cast against the adoption of the 2016 Remuneration Report at the 2016 Annual General Meeting.

If the Spill Resolution is put to vote at the Company's 2016 Annual General Meeting, and more than 50% of Shareholders vote in favour of the Spill Resolution, the Company is required to convene the Spill Meeting within 90 days of the Company's 2016 Annual General Meeting. All of the Directors who were in office when the Company's 2016 Directors' Report was approved, other than the Managing Director of the Company, would cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting. Following the Spill Meeting, those persons whose election for re-election as Directors is approved will be the Directors of the Company.

### 1.3 **Voting exclusion statement**

The Company will disregard any votes cast on resolution 1 (in any capacity) by, or on behalf of, the following persons:

- (a) a member of the KMP details of whose remuneration are included in the 2015 Remuneration Report; or
- (b) a Closely Related Party of such a member of the KMP.

However, the Company will not disregard the vote if it is cast as a proxy for a person who is entitled to vote and:

- (c) the proxy appointment is in writing and specifies the way the proxy is to vote on the resolution; or
- (d) the vote is cast by the person chairing the Meeting and the appointment:
  - (i) does not specify the way the proxy is to vote; and
  - (ii) expressly authorises the chair of the Meeting to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the KMP.

## 2. **Resolution 2: Re-election of Director – Mr Benjamin Doyle**

### 2.1 **Shareholder approval**

In accordance with rule 12.9 of the constitution of the Company, Mr Benjamin Doyle is retiring as Director of the Company by rotation, and seeks re-election as a Director.

## 2.2 Company constitution requirements

Rule 12.9 of the Constitution requires that one-third of the Directors of the Company, other than the Managing Director and those retiring having filled a casual vacancy, retire at each annual general meeting of the Company. Rule 12.9 requires that the Directors who retire pursuant to the rule are those that have held office the longest since being elected or appointed. Mr Benjamin Doyle has volunteered to submit himself for retirement by rotation and has offered himself for re-election.

## 2.3 Recommendation

The Directors, apart from Mr Benjamin Doyle, unanimously recommend that Shareholders vote in favour of resolution 2.

## 2.4 Voting exclusion statement

All shareholders may vote on this resolution.

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## SPECIAL BUSINESS

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The special business to be considered at the meeting is to consider a number of resolutions and give approvals for transactions, share issues and financial benefits connected with the purchase (the **Acquisition**) by the Company of all the shares on issue in Horizon Print Management Pty Ltd ABN 17 158 922 242 (**HPM**), and arrangements for the Company to finance the Acquisition. HPM's business is to act as an agent or broker for third party printing for its clients. In addition to its investment in HPM the Company will continue with its existing business, the development and sale of, either directly or through a subsidiary, parcels of residential real estate.

In particular, at the AGM approvals will be sought from shareholders for:

- a significant change in the nature and scale of the Company's activities (resolution 3);
- the acquisition of the HPM shares from Carrington Forsyth Investments Pty Limited (**CFI**) (resolution 4);
- the giving of financial benefits to a related party of the Company under the financing arrangements for the Acquisition (resolution 5); and
- the possible issue of shares to a related party of the Company under the Share Option Deed, which constitutes a further element of the financing arrangements for the Acquisition (resolutions 6, 7 and 8).

This Explanatory Statement details below the Acquisition, its financing and matters prescribed for disclosure by the *Corporations Act 2001*, applicable ASIC Regulatory Guides and the NSX Listing Rules, where approvals of the nature sought are submitted to shareholders for consideration. Disclosures are made for each resolution in turn.

### **3. Resolution 3: Approval of change in nature and scale of activities**

#### **3.1 Background**

Discussed below is the background to the proposed change in the Company's nature and scale of activities.

#### **3.2 NSX LR 6.41**

NSX LR 6.41 empowers NSX, in relation to a proposed significant change in the nature or scale of the activities of a company listed on the NSX, to, amongst other things, require the company to seek and obtain the approval of its shareholders to the change.

The acquisition by the Company of all the HPM Shares as part of the Acquisition involves a significant change to the nature and scale of the Company's activities. Following submissions and discussions with NSX, NSX has exercised its discretion to require the change to be approved by Company's Shareholders under NSX LR 6.41.

If resolution 3 is passed, the Company will have complied with this requirement. Information regarding the Acquisition and its effect on the Company is set out below.

#### **3.3 Guidance on NSX LR 6.41**

NSX does not publish guidance on how it applies NSX LR 6.41 to proposed significant changes in the nature and scale of a listed company's activities.

#### **3.4 Guidance on equivalent ASX Listing Rule**

ASX has, however, published guidance on the nearest equivalent ASX listing rule to NSX LR 6.41. That listing rule is ASX LR 11.1 and ASX Guidance Note 12, *Significant Changes to Activities*, has been published by ASX on its application of that listing rule. Discussed below are, amongst other things, matters addressed in that Guide.

#### **3.5 The Acquisition**

On 27 February 2015, Vertua Investments Ltd (**Investments**) entered into a Share Sale Agreement with CFI to conditionally acquire all shares on issue in HPM.

The Share Sale Agreement is subject to the following conditions precedent:

- shareholder approval under NSX Listing Rule 6.41 of a change in the nature and scale of activities in consequence of Investments' acquisition of the HPM Shares;

- shareholder approval under s611, item 7 of the *Corporations Act 2001* and NSX LR 6.25 of the Company's entry into, and exercise of the options under, the Share Option Deed;
- shareholder approvals under s208 of the *Corporations Act 2001* and NSX LR 6.44 of the Company's entry into and performance of the Share Option Deed, the Secured Loan Agreement and the General Security Agreement; and
- such other shareholder approvals as may be required by the NSX Listing Rules, the *Corporations Act 2001* or otherwise by law.

The purchase price agreed for the HPM Shares is comprised of two components. The first component is to equal an amount equal to \$1.1 million less the amount of the Company's indebtedness to CFI. If that indebtedness were to equal the amount of that indebtedness as at the date of the Share Sale Agreement (namely, \$575,000), the first component would equal \$525,000. The first component is to be paid on completion of the acquisition, which has been agreed to occur five business days after the satisfaction or waiver of all conditions precedent to the sale and purchase, and is therefore anticipated to occur in September 2015.

The second component, known as the Contingency, is to be an amount of no more than \$400,000, determined as 3.5 times the EBIT performance of HPM for the 2015 financial year, subject to adjustments. The Contingency may operate as an upward or downwards adjustments, depending on whether or not EBIT for the Company for the 2015 financial year is positive or negative.

Vertua was presented the opportunity to acquire HPM in early 2015. HPM is a print brokerage business that was spun out of the YMB business in 2013. Historically, the company was formed to manage printing associated with the publication of direct mail media referred to as "the yellow envelope". Since its formation, the business has expanded to handle third party printing as an agent or broker for its clients.

HPM has a diverse client base, which is primarily focussed on marketing collateral, including magazine publications, direct mail, point of sale and signage. The business has been growing organically for some years and has been profitable in its own right each year since incorporation. The business, which is located in Sydney, and has four transferring employees, had actual and projected turnover of approximately \$6.8 million and annual profit before tax and extraordinary items of approximately \$350,000 in the financial year ended 30 June 2014, and a profit for the 9-month period to 31 March 2015 of \$32,873. The acquisition should see the Company's total assets increase by \$200,000 and annual profit before tax and extraordinary items increase in the current financial year by \$300,000.

### 3.6 **The Financing**

The Acquisition will be fully financed by Manning Group (the **Financing**). The Financing is more fully described below, particularly in relation to resolution 2.

### 3.7 **Other acquisition and financing options considered**

The Company considered other finance options, including the use of debtor discounting facilities to assist in the funding of working capital and the acquisition during the due diligence period. It was determined however by the Company such alternatives were not suitable for the HPM business for a variety of factors, including but not limited to: the cost of the finance, the impact on the day-to-day management and that reporting to an external third party financier, would be too costly and would adversely impact the operations of HPM, with a potential material detriment to the financial performance of the Company.

The Company also considered undertaking a capital raising, however the Board believes that until such time that the financial position and direction of Vertua is clearly established with the market, the opportunity to raise capital without a significant dilution on existing shareholders is limited.

### 3.8 **Historical and current nature and scale of activities of the Group**

#### 3.8.1 ***As at 31 March 2015***

The principal activities of Vertua and its controlled entities (**Group**) during the 9-month period ended 31 March 2015 were described in its 2015 Annual Report (the **2015 Annual Report**) as the development and sale of, either directly or through a subsidiary, parcels of residential real estate in accordance with the real estate mandate of the Group. Vertua Investments Ltd, the wholly owned subsidiary of Vertua, on 27 February 2015 entered into a transaction to acquire Horizon Print Management Pty Ltd, which operates a print brokerage business.

For the 9-month period ended 31 March 2015, Vertua had:

- consolidated net assets of \$824,879;
- annual consolidated losses of (\$83,551);
- annual consolidated expenses of \$838,913; and
- annual consolidated revenue of \$755,362.

The 2015 Annual Report takes into account the impact of HPM business and operations from 1 March 2015, the benefit of which enures to the Company in accordance with the Share Sale Agreement.

A copy of the 2015 Annual Report may be found on the NSX Website.

On 3 July 2015, a General Update announcement was made by the Company to the NSX. Further announcements to the NSX may have been made since. They may be found on the NSX Website.

Further information on and a discussion of the financial position of the Company and the Group, including once the Acquisition and Financing have been completed, is set out in the accompanying independent expert's report. The report should be considered in its entirety.

### **3.8.2 *Shares currently on issue and market capitalisation***

As at the date of this Notice, Vertua has on issue 9,873,275 Shares and no options. As at 28 July 2015, the closing price for Vertua shares traded on NSX was \$0.05 per Vertua Share. On small volumes, Vertua's closing share price per Share on NSX was in the six months preceding that date at its highest at \$0.08 and since 10 February 2015 has been at \$0.05 per Share. Accordingly, Vertua's market capitalisation over that period has been between approximately \$493,660 and \$789,862.

## **3.9 Historical and current nature and scale of activities of HPM**

### **3.9.1 *As at 30 June 2014***

The principal activities of HPM during the financial year ended 30 June 2014 were print brokering and agency services.

For the financial year ended 30 June 2014, HPM had:

- net assets of \$140,886;
- an annual net profit of \$40,886;
- annual expenses of \$6,767,691; and
- annual revenues of \$6,794,387.

Expressed in percentage terms, for the financial year ended 30 June 2014" HPM's:

- HPM's net assets were 18.8% of Vertua's net assets as at 30 June 2014;
- HPM's annual expenses were in excess of 100% of Vertua's expenses for the financial year ended 30 June 2014; and
- HPM's annual revenues were in excess of 100% of Vertua's annual revenue for the financial year ended 30 June 2014,

In addition, HPM's annual profit for that financial year was \$40,886 compared to Vertua's annual consolidated losses for that financial year of (\$144,743).

### **3.9.2 *As at 31 March 2015***

Financial statements for the 9-month period to 31 March 2015 disclose that HPM had:

- net assets of \$196,143;
- profit of \$32,873;

- expenses of \$695,764; and
- revenue of \$728,637.

### 3.10 **Proposed nature and scale of activities of the merged entity**

The Acquisition and Financing will, if approved, initially result in:

- there being 9,873,275 Shares on issue in Vertua;
- Manning Group holding options for the issue of a further 9,700,000 Shares;
- former HPM net assets representing 15.80% of the merged Vertua consolidated assets (\$891,816), using values as at 30 June 2014;
- former HPM net assets representing 19.2% of the merged Vertua consolidated assets (\$1,021,022), using values as at 31 March 2015;
- additional debt of between \$1,100,000 and \$1,500,000 being taken on by the Company;
- the Company acquiring an asset, namely all the shares on issue in HPM, for which Investments would have paid to CFI an amount equal to the debt taken on; and
- the principal activities of the Group changing from property development alone to property development and investment, with an initial investment in a print brokering and agency company.

### 3.11 **Vertua Share history**

At close of trading on NSX on 28 July 2015, Vertua's quoted share price for its Shares was \$0.05. Trading in Vertua Shares on the NSX in recent months has been sparse and constant at this price since 10 February 2015.

Earlier and more current share prices for Vertua Shares traded on the NSX may be sourced from the NSX Website.

### 3.12 **No proposed changes to the Vertua Board**

No changes are proposed to be made to the Vertua Board in connection with the Acquisition and Financing.

### 3.13 **Post-Acquisition business model**

As announced on 3 July 2015, Vertua issued a general update on its activities to the market, advising that its Lane Cove project has been completed and all units sold at a profit, with all third party debt relating to the project repaid. Additionally, Vertua has taken a minority position in a joint venture to develop a residential project at Homebush, New South Wales. The project involves a commitment of approximately \$500,000. The project is, subject to completion of feasibility studies, expected to be profitable.

Otherwise, Vertua is not actively looking for projects at this point. It is reviewing existing opportunities, but given the limited capital is restricted in what it can buy or joint venture into.

### 3.14 **Financial effect of the Acquisition and Financing on Vertua**

#### 3.14.1 ***Total equity interests***

Prior to undertaking the Acquisition and Financing, the current shareholders of Vertua collectively hold 9,873,275 Vertua Shares and Manning Group had and has no shareholding in Vertua.

Upon completion of the Acquisition and Financing, and if Manning Group were to exercise all of the Options to be issued to Manning Group, Manning Group would become the major shareholder in Vertua, holding 49.56% of all Vertua Shares on issue. In that event, the capital structure of Vertua would be as follows:

<b>Vertua Shares</b>	<b>Number</b>	<b>% Interest (where applicable)</b>
Vertua Shares currently on issue	9,873,275	50.44%
Options to be issued to Manning Group (maximum)	9,700,000	49.56%
Total Vertua Shares on issue should all Options be exercised	19,573,275	100%

Approval of the issue of options to Manning Group under the Share Option Deed is addressed in detail in this Explanatory Statement in its discussion of resolutions 4, 5 and 6.

#### 3.14.2 ***Total assets and cash and cash equivalent assets***

Vertua's total equity as at 30 June 2014 was \$750,930, with cash and cash equivalent holdings of \$759,884. The total equity of the merged entity as at 31 March 2015 was \$824,000 and Vertua's cash and cash equivalent holdings, including as a result of the Acquisition, as at 31 March 2015 were \$351,879.

#### 3.14.3 ***Pro-forma balance sheets***

Pro-forma consolidated balance sheets for the Company as at 31 March 2015 appear at page 9 (Table 6) of the independent expert's report annexed.

#### 3.14.4 ***Substantial holders***

Vertua's current substantial holders comprise:



- Holical Pty Limited ACN 081 781 802, together with David Malcolm Dossor and Ruth Dianne Dossor (**Holical**)
- Manning Custodian Pty Ltd ACN 168 388 163 (**Custodian**)
- A.C.N. 147 049 936 Pty Ltd (**936**)
- Woodville Super Pty Limited ACN 149 955 180 (**Woodville Super**)
- Georgina Gail Manning (**Georgina Manning**)
- Kathleen Victoria Manning (**Kathleen Manning**)
- James Edward Manning (**James Manning**), and
- Louise Katrina Manning (**Louise Manning**).

(collectively, the **Current Substantial Holders**).

There are no other persons who currently are substantial holders in the Company's share.

The Current Substantial Holders' registered holdings and bases of association were set out in Forms 603, notice of initial substantial holder dated 17 and 20 April 2015 given to the Company. Copies of the Forms 603 are available from the NSX.

Set out below is a description of, amongst the Current Substantial Holders, the holders of relevant interests in the Company, the nature of their relevant interests, the present registered holders and the nature of the associations between them, as extracted from that Form.

#### **Holders and nature of relevant interests**

<b>Holder of relevant interest</b>	<b>Nature of relevant interest</b>	<b>Class and number of securities (%)</b>
Holical	Registered holder	Class A, 1,590,900 (16.1%)
David Malcolm Dossor and Ruth Dianne Dossor ( <b>Dossors</b> )	Each a 50% shareholder in Holical	Class A, 1,590,900 (16.1%)
Custodian, 936 and Woodville	Registered holders and associates by acting in concert with one another	Class A, 1,870,279 (18.9%)
Georgina Manning	Sole shareholder in Manning Custodian and Woodville Super; 25% shareholder in 936	Class A, 1,870,279 (18.9%)
Kathleen Manning	25% shareholder in 936	Class A, 1,870,279 (18.9%)

James Manning	25% shareholder in 936	Class A, 1,870,279 (18.9%)
Louise Manning	25% shareholder in 936	Class A, 1,870,279 (18.9%)

#### Present registered holders

Holders of relevant interests	Registered holder of securities	Person entitled to be registered as holder	Class and number of securities
Holicarl	Holicarl	Holicarl	Class A, 1,590,900 (16.1%)
Dossors	Holicarl	Holicarl	Class A, 1,590,900 (16.1%)
Custodian	Custodian	Custodian	Class A, 1,525,616 (15.5%)
936	936	936	Class A, 31,637 (0.3%)
Woodville Super	Woodville Super	Woodville Super	Class A, 313,026 (3.2%)
Georgina Manning	Custodian, Woodville Super and 936	Custodian, Woodville Super and 936	Class A, 1,870,279 (18.9%)
Kathleen Manning	936	936	Class A, 31,637 (0.3%)
James Manning	936	936	Class A, 31,637 (0.3%)
Louise Manning	936	936	Class A, 31,637 (0.3%)

#### Associations

Name	Nature of association
Dossors	Each has a 50% shareholding in Holicarl

Custodian	Acts in concert with 936 and Woodville Super
936	Acts in concert with Custodian and Woodville Super
Woodville Super	Acts in concert with Custodian and 936
Georgina Manning	As sole shareholder in each of Custodian and Woodville Super, Georgina Manning controls each of them. Georgina Manning's voting power in 936 is above 20%
Kathleen Manning	Kathleen Manning's voting power in 936 is above 20%
James Manning	James Manning's voting power in 936 is above 20%
Louise Manning	Louise Manning's voting power in 936 is above 20%

On completion of the Acquisition and Financing, should the Options under the Share Option Deed be exercised (and there is no present indication that they will be), Vertua is anticipated to have a further substantial holder, Manning Group as identified in the table below, assuming no other movements in share capital:

<b>Substantial holder</b>	<b>Relationship to Vertua</b>	<b>Vertua Shares (%) held pre-Acquisition and Financing</b>	<b>Vertua Shares (%) held if all options exercised</b>
Manning Group	Shareholder	Nil (0%)	9,700,000 (49.56%)

Each Current Substantial Holder's relevant interest, apart from Louise Manning's, would as a result be reduced from 18.94% to 9.56%, assuming no other share or capital movements.

### 3.15 **Financial effect of the Acquisition and Financing on shareholders**

The Acquisition and Financing contemplate the acquisition of the HPM Shares as a wholly owned subsidiary as part of the Group, fully financed by the Financing. Your directors are of the view that the price agreed to be paid for the HPM Shares was no less than their fair market value. Accordingly, your directors are of the view that the net assets of the Group will not diminish as a result of the acquisition and financing.

The HPM business, which is located in Sydney, and has four transferring employees, had actual and projected turnover of approximately \$6.8 million and annual profit before tax and extraordinary items of approximately \$350,000 in the financial year ended 30 June 2014, and a profit for the 9-month period to 31 March 2015 of \$32,873.

Since Vertua has taken management control, the HPM business has performed to budget for the period and in line with the Company's expectations of HPM. The Board has also been working on strategies to grow the HPM business, both organically and through acquisition.

**3.16 Post-Acquisition dividend policy**

Your Directors are of the view that the Acquisition and Financing will not positively or negatively impact the Company's existing dividend policy.

**3.17 Short-term borrowing and fundraising needs**

Your directors are confident that the Acquisition and Financing will be self-funding. As a result, no change is expected to the short-term borrowing and fundraising needs of the Group.

**3.18 Taxation considerations**

**3.18.1 *Taxation considerations – for Vertua***

Your Directors have taken advice on the taxation considerations for Vertua in relation to the Acquisition. In summary, the tax considerations for Vertua are as follows:

***Availability of Losses***

The following position is true for the Company regardless of whether the Acquisition occurs or not. Shareholders should accordingly carefully read and understand the availability of the losses and how their and other shareholder actions can impact the financial position of the Company.

Under the proposal before shareholders, the transaction will see Vertua Investments acquire HPM and, subject to how the Acquisition is financed, there is a potential for HPM to access a portion of the tax losses available to the Group.

The transaction, by which HPM is acquired, under Subdivision 124-M of the *ITAA 1997*, will result in the potential for existing Vertua Shareholders being diluted by over 50%. In order to apply carry forward tax losses, the Company must maintain at least 50% continuity of ownership between, broadly, the loss year and the end of the recoupment year. This is known as the "continuity of ownership test" (COT). Failing this, the Company can rely on the test known as the "same business test" (SBT):

### ***Continuity of Ownership Test***

Special rules apply in relation to widely held companies (such as companies listed on an approved stock exchange) such that shareholders holding less than 10% are treated as a single notional shareholder for the purposes of the COT.

Ordinarily, dilution below the 50% threshold would result in a company failing the COT. However, as Vertua is widely held, the notional shareholder rules should apply to Vertua to ensure that the COT is satisfied both before and after any scrip transaction. However, this can only be determined based on all the relevant facts at the time of the proposed transaction.

Where the COT is failed, a company can still apply its carry-forward losses if it satisfies the “same business test”. However, if the COT is failed on these facts, it is possible that Vertua would also fail the SBT (as the ATO takes a very strict view as to whether a business is the “same” in this context). If both the COT and SBT are failed, then Vertua’s carry forward losses will not be available.

### ***Same Business Test***

Where the company fails the COT, they may elect to apply the “same business test”, this test is far harder to satisfy and there is a potential that Investments and in turn that Vertua would fail the SBT as a result of this transaction.

### ***Consolidated Tax Group***

The company is not a member of a consolidated tax group. Advice has been sought on the formation of a consolidated tax group, and a tax sharing agreement between Investments and HPM. The company and its advisors have not yet formed a view with respect of the formation of a consolidated tax group.

#### **3.18.2 *Stamp duty***

As HPM is taken to be incorporated in Victoria, no stamp duty is payable by Investments on the acquisition of the HPM Shares.

As the Financing is on a secured basis and the collateral the subject of the security is situate in New South Wales, stamp duty is payable in New South Wales of the General Security Agreement at the rate of approximately 0.4% of the advances made and secured.

#### **3.18.3 *Nature of taxation disclosures, advice and certainty***

These taxation disclosures are of a general nature only; not an exhaustive analysis of all potential tax implications relevant to the proposed transaction; and not intended to be legal, accounting, financial product or taxation advice and should not be relied upon as such.

### 3.19 **Advantages and disadvantages of the Acquisition and Financing**

Set out below is a statement of the principal advantages and disadvantages of the Acquisition.

None of what is said below is intended to be, nor should be taken to constitute, financial product advice of either a general or a specific nature. Neither Vertua nor its Directors is qualified to give any such advice nor is any of them the holder of an appropriate Australian Financial Services Licence that permits them to give any such advice. Shareholders should consider taking their own legal, taxation and financial advice on the proposal.

#### 3.19.1 ***Principal advantages***

The Board believes that the Acquisition and Financing will be advantageous to Vertua and will provide the Company with the following principal benefits:

- (a) in HPM, a strong and steady operating business with growth prospects;
- (b) regular, stable and reliable operating cash flow to offset the irregular property development cash flow; and
- (c) an opportunity to begin to unlock existing shareholder value from accumulated tax losses.

#### 3.19.2 ***Principal disadvantages***

The following may be considered to be potential disadvantages of the Acquisition and Financing:

- (a) Group management may become focused on print services rather than development undertakings; and
- (b) dilution of existing shareholder base; and
- (c) potential breach of the COT test and subsequent loss of associated tax assets.

Additionally, control of Vertua could potentially pass into the hands of the Manning Group in the event that it exercises its options under the Financing proposal. This would result in a significant dilution of existing shareholders, however the Board believes that the market price for the options being issued offsets some of this risk and potential disadvantage.

Your Directors have carefully weighed the advantages and disadvantages of the Acquisition, and are strongly of the belief that the advantages of the Acquisition outweigh its disadvantages.

### 3.20 **Risks – if Acquisition and Financing proceed**

Below is a statement of the general and specific risks if the Acquisition and Financing proceed, and then if the Acquisition and Financing were not to proceed.

#### 3.20.1 **General risks**

General risks that may negatively impact Vertua, its post-Acquisition business and Vertua's NSX share price include:

- (a) economic conditions in Australia may worsen, leading to reduced economic activity and negative growth;
- (b) investors' views regarding the stock market and share market conditions generally may decline, leading to reduced prices for Vertua Shares. These factors may be quite unconnected with Vertua's own performance. Neither the Company nor its present or future Directors warrants the future performance of the Company or any return on investment in the Company;
- (c) changes in fiscal and monetary policy may result in reduced economic activity or changes to business practices which may have adverse consequences for Vertua;
- (d) changes in relevant taxation and other legal regimes may result in adverse consequences for Vertua;
- (e) adverse changes in Australian policies and international policies operating in Australia on the Print industry;
- (f) financial failure or default by any entity with which Vertua may become involved in a contractual relationship;
- (g) industrial disputes;
- (h) changes in investor sentiment towards particular market sectors;
- (i) the demand for, and supply of, capital;
- (j) terrorism or other hostilities;
- (k) the inability of Vertua to secure and retain appropriate insurance cover at affordable prices;
- (l) litigation brought by third parties, including but not limited to customers, suppliers, business partners, employees or shareholders could negatively impact the business where the impact of such litigation is not covered by insurance. The Company is presently not party to any such litigation;
- (m) share price fluctuations due to market factors;

- (n) price volatility in Vertua Shares in response to factors such as additions to or departures of key personnel, litigation and legislative change, press, newspaper or other media reports; and actual or anticipated variations in the Company's operating results;
- (o) illiquidity in the market for Vertua Shares, though the Acquisition proposal is intended to increase Vertua's market presence and therefore trading in its stock; and
- (p) currency fluctuations between the Australian dollar and other currencies may result in adverse movements in the value of Vertua's assets or earnings.

### 3.20.2 *Specific risks*

Business specific risks that may impact significantly on Vertua and the HPM business are set out below. Vertua will continue to operate in the property development segment, and there is little chance of the businesses overlapping. However we aim to set out the specific identified risks below, which include:

- (a) *market attributes and pressures*: no assurance can be given that HPM will be able to compete effectively with competitors in the Australian print broking market. Increased competition in the market may result in actual revenue derived being less than projected revenue, with adverse impacts on operating results and profitability. These particular risks will be sought to be addressed by Vertua offering value add service and by providing what the Directors believe to be superior service to its customers;
- (b) *technology*: while HPM doesn't directly own any printing equipment, changes in the underlying printing technology or how print is procured may ultimately impact on the performance of the HPM business;
- (c) *decline*: the industries and markets in which HPM operates may decline or suffer reduced activity, leading to reduced demand for HPM's products and services;
- (d) *acquisition conditions*: the conditions for the Acquisition to proceed may not be fulfilled;
- (e) *external influences*: the industry in which HPM is involved is subject to domestic and global influences. Although HPM undertakes all reasonable due diligence in its business decisions and operations, HPM has no influence or control over the activities or actions of its competitors, which activities or actions may, positively or negatively, affect the operating and financial performance of its projects and business. Price competitiveness brought about by increased competition may affect the selling margin enjoyed by HPM and HPM's profitability.



New market entrants may negatively impact on HPM's sales projections;

- (f) *contract risks*: HPM is and intends to be party to various contracts critical to its ongoing operations and success. Whilst HPM will take reasonable commercial steps to ensure that its contracting counterparties comply with their contractual obligations, defaults by them may adversely affect HPM's business, revenue and profitability;
- (g) *timing*: HPM's operating results may vary significantly from period to period, and it may not be able to sustain operating profitability or cash flow, though the capital available from Vertua should reduce this risk;
- (h) *key personnel*: if Vertua post-Acquisition loses its key personnel, including members of current HPM management, or is unable to attract and retain additional personnel, it may be unable to achieve its goals. Loss of key personnel could also result in the loss of some proprietary know-how or relationships with Australian market participants;
- (i) *regulation*: changes in the regulatory environment in which Vertua operates may have adverse consequences to Vertua's business. There is a risk that regulation may change in a manner that could impact adversely on the assets, operations and ultimately the financial performance of the Company. These include the risk that relevant government charges and fees could increase, adversely affecting margins;
- (j) *future capital requirements*: the Company's future capital requirements will depend on a number of factors, including the Company's ability to generate sufficient income from its operations. The Company, post-Acquisition, may need to raise additional equity from debt or equity sources due to unforeseen circumstances. There can be no assurance that the Company, post-Acquisition, will be able to raise such capital on favourable terms or at all. If adequate funds are not available on acceptable terms, the Company may not be able to develop its print or property development business as intended, with adverse impacts on the Company and its operations;
- (k) *reputation*: if the quality of printing does not meet HPM customers' expectations then its reputation could suffer and its sales and operating earnings could be negatively impacted; and
- (l) *adjustments*: costs and market adjustments associated with any changes in intentionally mandated technological standards.

### 3.21 Risks – if Acquisition and Financing do not proceed

If the relevant shareholder resolutions are not passed by the requisite majorities, then the Acquisition will not proceed. This would expose Vertua to the following risks:

- (a) *transaction costs*: Vertua has incurred certain transaction costs in connection with the proposed Acquisition, including in the preparation and negotiation of the transaction documents, the Notice of Meeting, this Explanatory Statement and the independent expert's reports. Subject to a contribution by HPM, Vertua is responsible for these costs regardless of whether the acquisition proceeds. At the date of this Statement the costs total approximately \$30,000;
- (b) *break costs*: Vertua has agreed to a number of costs which are to have the effect of a break fee in the amount of \$150,000 (10% of the secured loan facility limit) should the transaction not occur;
- (c) *solvency*: should the Acquisition be approved and the Financing not, then there is a material risk that the Group would become insolvent; and
- (d) *Vertua share price*: if the Acquisition does not proceed, Vertua Shares may trade at a lower price on the NSX.

### 3.22 Timetable

The Acquisition and Financing, and their approval, are presently intended to proceed as follows:

Event	Date (2015)
AGM proxies close	2 September
AGM held	4 September
Financial close and completion of HPM acquisition	8 September

### 3.23 Directors' interests and offices

Mr James Manning, the Vertua CEO, also serves as a director of each of CFI and HPM. Mr Manning was appointed to the HPM Board on 20 January 2015, noting that under the Share Sale Agreement Vertua Investments Ltd, a direct wholly owned subsidiary of the Company, is entitled to the economic benefit of the operations of HPM from 1 March 2015 onwards. Mr Manning is a member of the class of discretionary objects of the trust as part of which the trustee company holds 25% of CFI's issued share capital and is a member of the class of discretionary objects of the Manning Group Trust, of which Manning Group is the corporate trustee.

Mr Chris Brehenjoj, the Vertua Chairman, is also a director of CFI. His associated superannuation fund, The Esplanade Superannuation Fund, additionally holds 25% of CFI's issued share capital.

**3.24 Requisite majority**

Resolution 3 needs to be passed as an ordinary resolution. That is, this resolution need only be passed by more than 50% of all Shareholders present and voting, being entitled to do so, on this resolution. All shareholders may vote on this resolution.

**3.25 Recommendation**

Having regard to their interests and offices described above, Mr Manning and Mr Brehenjoj decline to make a recommendation on how Shareholders should vote on this resolution.

Mr Ben Doyle, the remaining director and who has no interest in the outcome of this resolution and who acts independently of both Mr Manning and Mr Brehenjoj in relation to this resolution, has closely considered the proposal and recommends that Shareholders vote in favour of this resolution.

**3.26 Voting exclusion statement**

All shareholders may vote on this resolution.

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**4. Resolution 4: NSX LR 6.43 approval of acquisition of substantial asset – HPM shares**

**4.1 NSX Listing Rule 6.43**

NSX Listing Rule 6.43 requires the Company to obtain the approval of its members if it or any of its child entities acquires a substantial asset from a related party or a person nominated by NSX. NSX has required the Company to obtain approval of its shareholders for the acquisition of HPM, details of which are set out below.

**4.2 The Acquisition**

On 27 February 2015, the Company's direct wholly-owned subsidiary, Vertua Investments Ltd, entered into a Share Sale Agreement by which it conditionally agreed to acquire all of HPM's issued share capital, comprised of 100,000 fully paid ordinary shares. The conditions to which the sale and purchase are principally subject are the passage of the resolutions discussed in this statement.

The purchase price agreed for the HPM Shares is comprised of two components. The first is an amount equal to \$1.1 million, less the amount of the Company's indebtedness to CFI, which at the date of the Share Sale Agreement was \$575,000.

Thus, if this level of indebtedness were used, the amount of the first component to be paid would be \$525,000. The first component is to be paid on completion of the acquisition, which has been agreed to occur five business days after the satisfaction or waiver of all conditions precedent to the sale and purchase, and is therefore anticipated to occur in September 2015.

The second component, known as the Contingency, is to be an amount of no more than \$400,000, determined as 3.5 times the EBIT performance of HPM for the 2015 financial year, subject to adjustments. The Contingency may operate as an upward or downwards adjustments, depending on whether or not EBIT for the Company for the 2015 financial year is positive or negative.

Notwithstanding the above arrangements, the parties agreed as part of the Share Sale Agreement that Investments would have the economic benefit of the HPM business with effect from 1 March 2015.

#### **4.3 Who is CFI?**

Founded in 2008, CFI was established as a boutique private equity investment vehicle. The business has bought and sold in a variety of industries, including print, marketing, transport and logistics, agribusiness and engineering firms.

#### **4.4 Relationship between CFI and Vertua**

CFI and Vertua share a number of officers and shareholders in common.

Vertua directors James Manning and Chris Bregenhøj are also directors of CFI. Chris Bregenhøj is also the CFI Company Secretary. Each of them, through indirect holdings in the KGI Trust (Manning) and the Esplanade Superannuation Fund (Bregenhøj) holds 25% of the issued share capital of CFI.

#### **4.5 Commercial rationale for the Acquisition**

Vertua was presented the opportunity to acquire HPM in early 2015. HPM is a print brokerage business that was spun out of the YMB business in 2013. Historically, the company was formed to manage printing associated with the publication of direct mail media referred to as “the yellow envelope”. Since its formation, the business has expanded to handle third party printing as an agent or broker for its clients.

HPM has a diverse client base, which is primarily focussed on marketing collateral, including magazine publications, direct mail, point of sale and signage. The business has been growing organically for some years and has been profitable in its own right each year since incorporation. The business, which is located in Sydney, and has four transferring employees, had actual and projected turnover of approximately \$6.8 million and annual profit before tax and extraordinary items of approximately \$350,000 in the financial year ended 30 June 2014, and a profit for the 9-month period to 31 March 2015 of \$32,873.

#### 4.6 **Alternative options considered**

No alternative options were considered.

#### 4.7 **The HPM shares**

The HPM Shares represent all of the shares on issue in HPM. On completion of the Acquisition, HPM will become an indirect wholly-owned subsidiary of Vertua.

#### 4.8 **Independent expert's report on value of HPM shares**

For the assistance of members, the Company has commissioned William Buck to prepare an independent expert's report on the fairness and reasonableness of the Acquisition and Financing.

William Buck's report accompanies this statement. They have concluded that the proposed transaction is both **fair and reasonable** to the non-associated shareholders of Vertua.

#### 4.9 **Impact on the Company**

The acquisition should see the Company's total assets increase by \$200,000 and annual profit before tax and extraordinary items increase in the current financial year by \$300,000.

#### 4.10 **Pro-forma balance sheet**

A pro-forma balance sheet, showing the financial position of the Company on a consolidated basis on completion of the Acquisition and Financing as at 31 March 2015 appears at page 9 (Table 6) of the accompanying independent expert's report.

#### 4.11 **Requisite majority**

Resolution 4 need only be passed as an ordinary resolution, that is, by a simple majority of members, being entitled to do so, present and voting on the resolution.

#### 4.12 **Directors' recommendations and reasons**

Having regard to their interests and offices described above, Mr Manning and Mr Bregenhoj decline to make a recommendation on how Shareholders should vote on this resolution.

Mr Ben Doyle, the remaining director and who has no interest in the outcome of this resolution and who acts independently of both Mr Manning and Mr Bregenhoj in relation to this resolution, has closely considered the proposal and recommends that Shareholders vote in favour of this resolution.

#### 4.13 **Directors' interests in the outcome**

The directors' interests in the outcome of this resolution are the same as in the outcome of resolution 3, discussed at paragraph 3.23 above.

#### 4.14 **Voting exclusion**

All shareholders may vote on resolution 3.

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### 5. **Resolution 5: Approval of giving of financial benefits under Secured Loan Agreement, General Security Agreement, Priority Deed and Share Option Deed**

#### 5.1 **Chapter 2E of the *Corporations Act 2001***

The objective of the related party provisions in Ch 2E of the *Corporations Act 2001* is to protect the interests of shareholders of public companies by requiring shareholder approval for giving financial benefits that could endanger shareholders' interests.

Under s208, and unless an exception set out in ss210 to 216 were to apply, for a public company or an entity it controls to give a financial benefit to a related party of the public company the company's shareholders must approve the transaction in the way set out ss217 to 227 of the *Corporations Act 2001*.

Where shareholder approval is required, meeting materials seeking approvals for related party transactions involving a public company must provide sufficient information to shareholders to enable them to decide whether or not the financial benefit to be given to a related party is in the interests of the Company.

#### 5.2 **The Financing**

The Acquisition has been structured such that is wholly debt funded by Manning Group. The terms on which the Financing has been granted are set out below.

#### 5.3 **Commercial rationale for the Financing**

The Financing provided the Directors with surety associated with the ability to enter into the transaction with CFI and complete the transaction without risk of insolvency. The Share Option Deed enables Manning Group to convert its loan to shares at a suitable time and at a significant premium to the current market price.

#### 5.4 **Alternative options considered**

The Company considered both alternate sources of debt financing as well as equity financing. Given the size of the Company and the terms of the Acquisition, alternate debt financing options were limited.

Further, given the timeframes, size of the capital raising required and dilution effect, it was thought that a capital raising was not appropriate at the time. It was additionally thought that there would be little chance of raising capital on terms as favourable as the Manning Group conversion rate.

## **5.5 Financing documentation**

The Financing documentation comprises a secured loan agreement, a general security agreement, a priority deed with the Company's external principal financier, presently Westpac, and a share option deed.

These documents are discussed in turn below.

### **5.5.1 *Secured Loan Agreement***

Under the Secured Loan Agreement, Manning Group, in its capacity as trustee for the Manning Group Trust, has agreed to provide loan advances to the Company not exceeding \$1,500,000 to assist in the acquisition of all the shares on issue in HPM, acquisition costs and for working capital purposes.

The interest rate payable under the Agreement is 12% per annum, with an establishment fee payable of \$120,000. The facility may be drawn down progressively, and is repayable on the fifth anniversary of the notified satisfaction or waiver of the conditions precedent to draw down, including approvals the subject of this statement and the accompanying notice of meeting and other conditions precedent usual for a facility of this nature. Repayment is also required on the occurrence of specified default events usual for a transaction of this nature.

Prepayments may be made after expiry of the second year of the term.

### **5.5.2 *General Security Agreement***

The General Security Agreement is in form that is usual for a transaction of this nature and creates a general security interest over all the present and future assets and undertaking of the Company, without exception.

The General Security Agreement contains positive and negative undertakings, including as to reporting and the creation of other security interests, and a set of events of default that are also usual for a transaction of this nature. The moneys secured under the General Security Agreement comprise in essence all moneys owed, actually or contingently, in the present or in the future, by the Company to Manning Group.

Interest on moneys payable under the General Security Agreement runs at 12% per annum.

### **5.5.3 *Priority Deed***

The priority deed to be entered into will be in the standard form required by Westpac as the Company's principal financiers.

### **5.5.4 *Share Option Deed***

The Share Option Deed and its terms are discussed in detail below.

## **5.6 *Nature of the financial benefits given***

### **5.6.1 *The Options granted***

The Options granted under the Share Option Deed entitle their holder to subscribe for Shares at a price of 14.85 cents per Share. Subject to the occurrence of conditions precedent, the Options may be exercised at any time during the exercise period. Subject to rounding, the maximum number of Shares that may be issued in consequence of the exercise of the Options is the greater of 9,700,000 Shares and (that number of Shares as is equal to the loan moneys then outstanding under the Secured Loan Agreement divided by the issue price) provided always that the maximum number of Shares that may be issued may not on a post-dilution basis exceed 49.9% of all Shares then on issue.

### **5.6.2 *Other financial benefits given***

The other financial benefits given have been comprehensively described in sections 3.5 and 4.2 above.

## **5.7 *Who is Manning Group?***

Manning Group is a private family investment vehicle. It has made a number of similar investments in private companies throughout Australia. It has made a significant number of these in property related transactions.

## **5.8 *Relationship between Manning Group and Vertua***

Manning Group has two directors, Ms Louise Katrina Manning, the wife of Vertua CEO James Manning, and Ms Kathleen Victoria Manning, Mr James Manning's sister.

## **5.9 *Existing interest of related party in the Company***

Manning Group currently holds no Shares in the Company.

## **5.10 *Independent expert's report on value of financial benefits***

The Company has engaged William Buck to prepare for the benefit of the Company and its members an independent expert's report on the valuation of the financial benefits to be given as part of the proposals to be approved at the meeting contemplated by this statement.



William Buck's report accompanies this statement. They have concluded that the proposed transaction is both **fair and reasonable** to the non-associated shareholders of Vertua.

**5.11 Impact on the Company**

The acquisition should see the Company's total assets increase by \$200,000 and annual profit before tax and extraordinary items increase in the current financial year by \$300,000.

**5.12 Dilution effect**

Should all the Options be exercised, existing shareholders' holdings will be approximately diluted by one-half. The independent expert has formed the view options currently held by Joe Public Holdings Pty Ltd are unlikely to be exercised, and thus will not dilute the shareholdings of existing shareholders.

**5.13 Requisite majority**

Resolution 4 needs to be passed as an ordinary resolution. That is, this resolution need only be passed by more than 50% of all Shareholders present and voting, being entitled to do so, on this resolution.

**5.14 Directors' recommendations and reasons**

Having regard to his interests and offices described above, Mr Manning declines to make a recommendation on how Shareholders should vote on this resolution.

Mr Chris Bregenhøj and Mr Ben Doyle, each of whom has no interest in the outcome of this resolution and who acts independently of Mr Manning in relation to this resolution, has closely considered the proposed giving of financial benefits and recommends that Shareholders vote in favour of this resolution.

**5.15 Directors' interest in the outcome**

Mr James Manning, the Vertua CEO, is a 25% indirect shareholder in CFI. Though Mr Manning does not hold any shareholding interest in Manning Group, that company is owned by his wife and is trustee of the Manning Group Trust. Under the Trust, Mr Manning is a member of a class of discretionary objects, in whose favour the trustee may or may not exercise its discretion for his benefit.

Mr Chris Bregenhøj, the Chairman of Vertua, also holds a 25% indirect shareholding through his Esplanade Superannuation Fund in CFI, and has no other interest in the Acquisition or the Financing.

Mr Ben Doyle holds no interest in any of the parties to the Acquisition or the Financing.

## 5.16 **Voting exclusion statement**

The Company will disregard any votes cast on this resolution by Manning Group and its associates. However, the Company need not disregard any such vote if:

- it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and
- it is not cast on behalf of Manning Group or any of its associates.

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## 6. **Resolution 6: Takeovers provisions approval of issue of Shares to Manning Group under Share Option Deed**

### 6.1 **Background**

To fully finance the Acquisition, the Company has entered into the Secured Loan Agreement, which provides for a \$1,500,000 secured loan facility, and a Share Option Deed with Manning Group, granting Manning Group an option to subscribe for and have issued to it up to a specified number of Shares at an issue price of 14.85 cents per Share. The Company's indebtedness under the Secured Loan Agreement is further secured by the grant of an all present and future property assets and undertaking general security interest, no exceptions, under a General Security Agreement in favour of Manning Group.

The Options entitle their holder to subscribe for Shares at a price of 14.85 cents per Share. Subject to the occurrence of conditions precedent, the Options may be exercised at any time during the exercise period. Subject to rounding, the maximum number of Shares that may be issued in consequence of the exercise of the Options is the greater of 9,700,000 Shares and (that number of Shares as is equal to the loan moneys then outstanding under the Secured Loan Agreement divided by the issue price) provided always that the maximum number of Shares that may be issued may not on a post-dilution basis exceed 49.9% of all Shares then on issue.

Manning Group Pty Limited is the corporate trustee of the Manning Group Trust, a discretionary trust, and whose class of discretionary objects includes Mr James Manning and his wife, Louise Manning. Louise Manning is also the sole shareholder in Manning Group.

Additionally, as Louise Manning has a relevant interest in 1,870,279 Shares, the issue of further Shares to Manning Group on exercise of the option granted under the Share Option Deed must first be approved by shareholders in accordance with section 611, item 7 of the *Corporations Act 2001*.

The approval resolution must be passed as an ordinary resolution. Under section 611, item 7(a), neither Manning Group nor any of its associates may vote on the resolution.

Under and in respect of the Share Option Deed:

- the issue price for the Shares is 14.85 cents per Share. The NSX closing price for Vertua Shares has been constant since 10 February 2015 at 5 cents per share.
- Manning Group has not indicated whether or not it intends to exercise the option and, if so, to what extent;
- the Company currently has on issue 9,873,275 Shares. Should all the options granted to Manning Group be exercised, the percentage of Shares of all Shares on issue that Manning Group would hold would be 49.56%;
- the option under the Share Option Deed was granted at the same time as the Secured Loan Agreement was entered into and was central to the loan facility under the Secured Loan Agreement being granted on the terms that it was;
- the option may be exercised in whole or in part;
- the option may be exercised in respect of any uncalled shares in the event that a takeover bid is made during the option period relating to 50% or more of the capital of the Company, including Shares already held by the offeror; and
- the number of Shares or the issue price may be adjusted in the event of a rights issue or a bonus issue, or a conversion of the Shares into a larger or smaller number.

For the purposes of section 611, item 7 of the *Corporations Act*, shareholders are additionally advised:

- at the date of this Notice, Louise Manning is an associate of Manning Group for the purposes of Chapter 6 of the *Corporations Act 2001*, with an 18.94% voting power in relation to the Company;
- the maximum extent of the increase in Manning Group's voting power in the Company that would result from the acquisition of Shares on a full exercise of the options granted under the Share Option Deed would be 35.06%;
- the voting power that Manning Group would have as a result of a full exercise of the options granted under the Share Option Deed would be 54.00%; and
- the option issue to Manning Group is proposed as part of the financing terms for the Acquisition and the option to so be issued Shares was central to the financing having been agreed to be extended on current terms;

- the options are assignable and may be exercised in favour of a nominee;
- each Option entitles its holder to subscribe for one Share;
- Shares may be issued in consequence of the exercise of an Option. Subject to the occurrence of a specified condition precedent, the Options may be exercised at any time within 10 years after their grant.
- a condition precedent to exercise is specified as the issue by the holder of the Options of a notice of its intention to exercise some or all of the Options;
- within seven days of the issue of such a notice, the Company may cancel any or all of the Options notified at the greater of an amount offered by the Company, an independently assessed market value, the then prevailing NSX closing price or, in the context of a takeover, the final takeover bid price;
- subject to rounding, the maximum number of Shares that may be issued in consequence of the exercise of the Options is the greater of 9,700,000 Shares and (that number of Shares as is equal to the loan moneys then outstanding under the Secured Loan Agreement divided by the issue price) provided always that the maximum number of Shares that may be issued may not on a post-dilution basis exceed 49.9% of all Shares then on issue;
- should shareholders pass resolution 6, Manning Group intends that the Company will undertake the business activities described in respect of resolution 3;
- Manning Group does not intend that the Company engage its own direct employees;
- Manning Group does not intend that the Company undertake any asset transfers, any redeployment of fixed assets or any other material transaction by Vertua that is not disclosed to shareholders;
- Manning Group has no intention to establish a new office for Vertua;
- Vertua continues to monitor its overall financial position, and given the limited capital available to the Company, does not, until further advice, intend to pay any dividends;
- Mr James Manning is a director of the Company, CFI and HPM. He is also a member of the class of discretionary objects of the Manning Group Trust, of which Manning Group is the corporate trustee. Mr Manning has no other interest in the outcome of this resolution.

- no additional person is intended to be appointed a Director of the Company in consequence of the issue of any Shares the subject of approval under resolution 6.

## 6.2 **Requisite majority**

Resolution 6 needs to be passed as an ordinary resolution. That is, this resolution need only be passed by more than 50% of all Shareholders present and voting, being entitled to do so, on this resolution.

## 6.3 **Recommendation**

Having regard to his interests and offices described above, Mr Manning declines to make a recommendation on how Shareholders should vote on this resolution.

Mr Chris Bregenhøj and Mr Ben Doyle, each of who has no interest in the outcome of this resolution and who acts independently of Mr Manning in relation to this resolution, have closely considered the proposed giving of financial benefits and recommend that Shareholders vote in favour of this resolution.

## 6.4 **Voting exclusion statement**

The Company will disregard any votes cast in favour of resolution 6 by Manning Group and its associates. However, the Company need not disregard any such vote if:

- it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and
- it is not cast on behalf of Manning Group or any of its associates.

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## 7. **Resolution 7: NSX LR 6.44 approval of issue of Shares to Manning Group under Share Option Deed**

### 7.1 **NSX LR 6.44**

By resolution 7, the Company seeks shareholder approval for the proposed issue of Shares on exercise of the options granted under the Share Option Deed for the purposes of NSX LR 6.44. That listing rule requires that shareholders approve by special resolution an issue of equity securities to a related party except in presently irrelevant circumstances.

### 7.2 **Required disclosure**

The following information is disclosed for the purposes of this resolution:

(a) *Name*

The Options are granted to Manning Group. They are assignable and may be exercised in favour of a nominee.

(b) *Securities to be issued*

Each Option entitles its holder to subscribe for one Share.

(c) *Issue date*

Shares may be issued in consequence of the exercise of an Option. Subject to the occurrence of a specified condition precedent, the Options may be exercised at any time within 10 years after their grant.

A condition precedent to exercise is specified as the issue by the holder of the Options of a notice of its intention to exercise some or all of the Option. Within seven days of the issue of this notice, the Company may cancel any or all of the Options notified at the greater of an amount offered by the Company, an independently assessed market value, the then prevailing NSX closing price or, in the context of a takeover, the final takeover bid price.

(d) *Relationship*

Manning Group's relationship with the Company and with Mr James Manning, the Company's CEO, is described in section 5.8 above.

(e) *Issue price*

The exercise price for each Option, and therefore for the issue price for each Share issued in consequence of the exercise of an Option is 14.85 cents.

(f) *Terms of options and Shares*

The Options entitle their holder to subscribe for Shares at a price of 14.85 cents per Share. Subject to the occurrence of condition precedent discussed above, the Options may be exercised at any time during the exercise period. Subject to rounding, the maximum number of Shares that may be issued in consequence of the exercise of the Options is the greater of 9,700,000 Shares and (that number of Shares as is equal to the loan moneys then outstanding under the Secured Loan Agreement divided by the issue price) provided always that the maximum number of Shares that may be issued may not on a post-dilution basis exceed 49.9% of all Shares then on issue.

(g) *Intended use of funds raised*

Generally, no funds are intended to be raised by the issue. Rather, if any Shares are issued they will be in satisfaction of any debt outstanding by the Company to Manning Group under the Secured Loan Agreement. Should

Manning Group elect to subscribe for Shares for cash, the funds raised would be used for working capital and other proper corporate purposes.

**7.3 Requisite majority**

Resolution 5 needs to be passed as a special resolution. That is, this resolution needs to be passed by not less than 75% of all Shareholders present and voting, being entitled to do so, on this resolution.

**7.4 Recommendation**

Having regard to his interests and offices described above, Mr Manning declines to make a recommendation on how Shareholders should vote on this resolution.

Mr Chris Bregenhøj and Mr Ben Doyle, each of who has no interest in the outcome of this resolution and who acts independently of Mr Manning in relation to this resolution, has closely considered the proposed giving of financial benefits and recommends that Shareholders vote in favour of this resolution.

**7.5 Voting exclusion statement**

All shareholders may vote on this resolution.

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**8. Resolution 8: NSX LR 6.25 approval of issue of Shares to Manning Group under Share Option Deed**

**8.1 NSX LR 6.25**

For present purposes and under NSX LR 6.25(1), the Company may not without shareholder approval in accordance with that rule issue Shares above the “15% in 12 months limit” as calculated in accordance with that rule. Issues made with prior shareholder approval are not counted in that calculation.

**8.2 Required disclosure**

The information that is required to be disclosed for the purposes of this resolution is identical to that required to be disclosed for the purposes of resolution 5. Shareholders are invited to review the above discussion.

**8.3 Requisite majority**

Resolution 8 needs to be passed as an ordinary resolution. That is, this resolution need only be passed by more than 50% of all Shareholders present and voting, being entitled to do so, on this resolution.

#### 8.4 **Recommendation**

Having regard to his interests and offices described above, Mr Manning declines to make a recommendation on how Shareholders should vote on this resolution.

Mr Chris Bregenhoj and Mr Ben Doyle, each of whom has no interest in the outcome of this resolution and who acts independently of Mr Manning in relation to this resolution, has closely considered the proposed giving of financial benefits and recommends that Shareholders vote in favour of this resolution.

#### 8.5 **Voting exclusion statement**

All shareholders may vote on this resolution.

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## GLOSSARY

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<b>2015 Annual Report</b>	the financial statements, directors' report and auditor's report for the 9-month period ended 31 March 2015.
<b>ACN</b>	Australian Company Number.
<b>Acquisition</b>	the purchase by the Company of all the issued share capital of HPM under the Share Sale Agreement.
<b>AEST</b>	Australian Eastern Standard Time.
<b>AGM</b>	the Annual General Meeting of the Company to be held on Friday, 4 September 2015, at 9:00 am (AEST) at Carrington Forsyth, Level 5, 97 Pacific Highway, North Sydney NSW 2060.
<b>ASIC</b>	Australian Securities and Investments Commission.
<b>Board</b>	The board of directors of the Company.
<b>CEO</b>	Chief Executive Officer, who at the date of this statement is Mr. James Manning.
<b>CFI</b>	Carrington Forsyth Investments Pty Limited ACN 134 434 414, the holder of all shares on issue in HPM.
<b>Closely Related Party</b>	has the meaning given to that term in the <i>Corporations Act 2001</i> .
<b>Company</b>	Vertua Limited ACN 108 076 295.
<b>Constitution</b>	The constitution of the Company.
<b>Contingency</b>	has the meaning given in the Share Sale Agreement.
<b>COT</b>	Continuity of Ownership Test.
<b>Current Substantial Holders</b>	is defined in section 3.14.4 of this Explanatory Statement.
<b>Directors</b>	the directors of the Company as at the date of the Notice.
<b>EBIT</b>	Earnings Before Interest and Tax.
<b>Entitlement Time</b>	5.00 pm (AEST) on 2 September 2015.
<b>Explanatory Statement</b>	the Explanatory Statement accompanying the Notice.

<b>Financing</b>	the financing of the Acquisition described in this Explanatory Statement.
<b>General Security Agreement</b>	means the agreement so entitled between the Company as grantor and Manning Group as grantee.
<b>Group</b>	Vertua and its controlled entities.
<b>HPM</b>	Horizon Print Management Pty Limited ACN 158 922 242.
<b>HPM Share</b>	a fully paid ordinary share issued in the share capital of HPM.
<b>Investments</b>	Vertua Investments Ltd ACN 101 816 353.
<b>KMP</b>	key management personnel.
<b>Managing Director</b>	the Managing Director of the Company, Mr. James Manning.
<b>Manning Group</b>	Manning Group Pty Limited ACN 151 722 360 acting in its capacity as trustee of the Manning Group Trust.
<b>Meeting</b>	the Annual General Meeting of the Company to be held on Friday, 4 September 2015, at 9:00 am (AEST) at Carrington Forsyth, Level 5, 97 Pacific Highway, North Sydney NSW 2060.
<b>Notice</b>	the notice convening the AGM.
<b>NSX</b>	National Stock Exchange of Australia Limited ACN 000 902 063 and the financial market of which it operates of Level 2, 117 Scott Street, Newcastle NSW 2300, as the case may be.
<b>NSX Listing Rules or NSX LR</b>	The official listing rules of NSX and any other rules of NSX which are applicable while the Company is admitted to the official list of NSX, each as amended or replaced from time to time, except to the extent of any express written waiver by NSX.
<b>NSX Website</b>	<a href="https://www.nsx.com.au/">https://www.nsx.com.au/</a> ; the Company's code is VERA.
<b>Option</b>	an option to subscribe for one Share, granted under the Share Option Deed.
<b>Priority Deed</b>	the deed so entitled between and amongst the Company, Manning Group and Westpac or such of the Company's other major financiers, as the case may be.
<b>Resolutions</b>	the resolutions the subject of the Notice.

<b>SBT</b>	Same Business Test
<b>Secured Loan Agreement</b>	the agreement so entitled between the Company as borrower and Manning Group as lender.
<b>Share Option Deed</b>	in relation to Manning Group, means the agreement so entitled between the Company and Manning Group dated 27 February 2015.
<b>Share Sale Agreement</b>	the agreement so entitled dated 27 February 2015 between CFI as seller and the Company as purchaser for the purchase by the Company of all the issued share capital of HPM.
<b>Shareholder</b>	a person or company registered in the register of members of the Company as the holder of one or more Shares at the Entitlement Time.
<b>Vertua</b>	Vertua Limited ACN 108 076 295.
<b>Vertua Share</b>	a fully paid class A ordinary share in the capital of the Company.
<b>Westpac</b>	Westpac Banking Corporation ABN 33 007 457 141.
<b>William Buck</b>	William Buck Corporate Advisory Services (NSW) Pty Limited ABN 50 133 845 637.
<b>YMB</b>	Yellow Media Brands Pty Ltd ACN 075 750 024.