



VERTUA LTD

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14 June 2017

By E-Lodgment

National Stock Exchange  
Level 2, 117 Scott Street  
Newcastle, NSW 2300

## **FULL YEAR PRELIMINARY RESULTS**

Vertua Limited is pleased to release to the market its preliminary results for year ended 31 March 2017.

We are in the final stages of Audit and expect to release the results to market in the next 7 days.



James Manning  
Managing Director

**Vertua Limited**  
**Section 2A: Appendix 3**  
**Preliminary final report**

**p1. Company details**

Name of entity:	Vertua Limited
ACN:	108 076 295
Reporting period:	For the year ended 31 March 2017
Previous period:	For the year ended 31 March 2016

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**2. Results for announcement to the market**

			\$
Revenues from ordinary activities	up	20.70% to	20,100,594
Loss from ordinary activities after tax attributable to the Owners of Vertua Limited	down	164.8% to	(856,135)
Loss for the year attributable to the Owners of Vertua Limited	down	164.8% to	(856,135)

*Dividends*

There were no dividends paid, recommended or declared during the current financial period.

*Comments*

The loss for the Group after providing for income tax and non-controlling interest amounted to \$856,135 (31 March 2016: profit of \$1,321,123).

**3. Net tangible assets**

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	33.10	24.76

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**4. Control gained over entities**

Not applicable.

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**5. Loss of control over entities**

Not applicable.

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**6. Dividends**

*Current period*

There were no dividends paid, recommended or declared during the current financial period.

*Previous period*

There were no dividends paid, recommended or declared during the previous financial period.

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**7. Dividend reinvestment plans**

Not applicable.

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**8. Details of associates and joint venture entities**

Not applicable.

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**9. Foreign entities**

*Details of origin of accounting standards used in compiling the report:*

Not applicable.

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**10. Audit qualification or review**

*Details of audit/review dispute or qualification (if any):*

The financial statements are currently being audited and an unqualified opinion is anticipated.

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**11. Signed**

Signed  \_\_\_\_\_

Date: 14 June 2017

**Vertua Limited**

**ACN 108 076 295**

**Annual Report - 31 March 2017**

**Vertua Limited**  
**Directors' report**  
**31 March 2017**

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Vertua Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 31 March 2017.

**Directors**

The following persons were Directors of Vertua Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Christopher Bregenhoj (Chairman and Company Secretary)  
Benjamin Doyle  
James Manning (Managing Director)

**Principal activities**

During the financial year the principal continuing activities of the Group consisted of:

- Property development and services
- Print services
- Professional services

The company has maintained its operational strategy set out previously in the period to 31 March 2016, namely the operation of the three divisions of Vertua Limited. There have been a number of performance updates worth sharing with shareholders as to the specific performance of each division.

Property has undertaken a number of developments during the year, concluded some and acquired either directly or indirectly interests in new opportunities. The residential development market presents a number of challenges in the current market, namely the limited economically viable sites to acquire and develop. Changes in bank lending practices have further made the economic viability of many potential sites unable to work. To counter this we are exploring a number of new development opportunities in alternate areas as well as expanding into other areas such as property funds management.

The print group continues to perform above acquisition metrics. We must continue to expand this business and get a larger critical mass should we want to be competitive in the industry, we are mid-way through a strategic review of the business and will consider what opportunities exist in the medium to long term in the industry. Given this, the board is comfortable with the operation and its growth prospects of this division.

The Locumsgroup acquisition was finalized in June 2016 with Vertua owning 50%. We are investing in new processes within the group to establish a platform from which we can grow the professional services division. The statutory results for the group don't reflect the historical management accounting procedures, including that we have removed all accrual accounting practices within the business for the services work-in-progress. Further given the commentary above in the property division, there have been limited opportunities for the real estate advisory aspect to acquire new sites for clients. There have been a number of cross-selling opportunities which we continue to explore with the property division. While we don't expect any cost synergies at this stage, we do expect cross-sales to occur to customers which should grow the overall opportunities of the group.

**Dividends**

There were no dividends paid, recommended or declared during the current or previous financial year.

**Operating and financial review**

The loss for the Group after providing for income tax and non-controlling interest amounted to \$856,135 (31 March 2016: profit of \$1,293,149).

**Vertua Limited  
Directors' report  
31 March 2017**

The statement of financial position has significantly changed due to the effect of the business combinations during the year outlined in Note 38.

The operating and financial review is prepared in segments, in alignment with the reporting provided in the financial statements. There have been no changes to the Board during the year and James Manning continues to act as the Managing Director of the Group.

**Property:**

Events within the property sector are mentioned within the principle activities section of this report.

Mr. Benjamin Doyle continues to act as the Director of Fiducia Group, the property divisions' principal operating business. Mr. Doyle is also a Director of Vertua and he is committed to the business and provides valuable experience in specifically residential development.

We continue to seek commercial to expand into commercial development, as well as diversifying the income profile of the property division away from the lumpy cash flow and performance associated with the development cycle. The group is exploring various property management rights avenues as the principle mechanism for this.

**Printing:**

Further to the update provided in the principal activities section of this report, we are pleased to see that the increased turnover is resulting in bottom line results now for the printing group.

Mr. Stuart Page continues to act as the Director of Horizon Print Management and the printing division's CEO. Mr. Page's performance in this business continues to be outstanding as he guides the business through growth in an ever changing industry environment.

**Professional Services:**

The Locumsgroup continues to perform to the expectations of the board. The business was sold by Mr. Paul Ahearne who continues to operate the business and effectively retains 50% of the business. We expect the business will continue to grow under Paul's guidance and we will do all we can to support this opportunity. We continue to explore expansion opportunities while reviewing the operational efficiencies we can extract.

**Significant changes in the state of affairs**

There were no significant changes in the state of affairs of the Group during the financial year.

**Matters subsequent to the end of the financial year**

No matter or circumstance has arisen since 31 March 2017 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

**Likely developments and expected results of operations**

We have been working to establish a funds management division of the group business to complement the property and professional services divisions. We have in June established a designated funds management entity to act as the group fund manager. We want to focus on expanding this complementary business unit.

**Environmental regulation**

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

**Information on Directors**

Name: Christopher Bregenhoj  
Title: Non-Executive Chairman  
Qualifications: CA, FAICD  
Experience and expertise: Chris brings a strong accounting background having practiced for 13 years in Hong Kong. From 2000 Chris sat on the board of what became oOh! Media, seeing it through listing, acquisitions, a private equity buyout and relisting. Chris has undertaken numerous residential developments during his career.

Other current directorships: Nil  
Former directorships (last 3 years): Nil  
Special responsibilities: Chairman of the Audit and Risk Committee  
Interests in shares: Nil  
Interests in options: 1,350,000 indirectly through Bregenhoj Family Associates  
Contractual rights to shares: Nil  
Convertible notes: Nil

Name: James Manning  
Title: Managing Director  
Qualifications: B.Bus (Accounting), M.Bus (Finance), FAICD  
Experience and expertise: James has over 10 years of experience in the property industry and founded Joe Public Holdings. He has undertaken numerous residential property developments throughout Australia and New Zealand.

Other current directorships: Nil  
Former directorships (last 3 years): Nil  
Special responsibilities: Member of the Audit and Risk Committee  
Interests in shares: 1,956,259 indirectly through the Manning Family Associates  
Interests in options: 11,350,000 indirectly through the Manning Family Associates  
Contractual rights to shares: Nil  
Convertible notes: 15,958,686 indirectly through the Manning Family associates

Name: Benjamin Doyle  
Title: Executive Director  
Experience and expertise: Ben founded Fiducia Property Group and has run it for over 15 years, where he has developed numerous residential property developments. Ben has been recognised within the development industry through the HIA, having won the 2015 'NSW Development of the year sub \$5mil'.

Other current directorships: Nil  
Former directorships (last 3 years): Nil  
Special responsibilities: Member of the Audit and Risk Committee  
Interests in shares: 125,000 Class A shares held directly and 620,451 indirectly through the Doyle Family Associates  
Interests in options: 1,350,000 held indirectly through the Doyle Family Associates  
Contractual rights to shares: Nil  
Convertible notes: 6,032,699 held indirectly through the Doyle Family Associates

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

**Company secretary**

Christopher Bregenhoj acts as the Company secretary in addition to his role as Chairman.

### **Meetings of Directors**

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 31 March 2017, and the number of meetings attended by each Director were:

	Full Board		Audit and Risk Committee	
	Attended	Held	Attended	Held
Christopher Bregenhoi	12	12	3	3
Benjamin Doyle	12	12	3	3
James Manning	12	12	3	3

Held: represents the number of meetings held during the time the Director held office.

### **Remuneration report (audited)**

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation

#### ***Principles used to determine the nature and amount of remuneration***

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Board is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Board has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity.

Alignment to shareholders' interests:

- has economic profit as a core component of plan design
- focuses on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracts and retain high calibre executives

Alignment to program participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.



*Non-executive directors remuneration*

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Nomination and Remuneration Committee. The Nomination and Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration. Non-executive directors do not receive share options or other incentives.

NSX listing rules require the aggregate non-executive directors remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 28 October 2016, where the shareholders approved an aggregate remuneration of \$120,000.

*Executive remuneration*

The Group aims to reward executives with a level and mix of remuneration based on their position and responsibility, which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Nomination and Remuneration Committee based on individual and business unit performance, the overall performance of the Group and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the Group and provides additional value to the executive.

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's include profit contribution, customer satisfaction, leadership contribution and product management.

The long-term incentives ('LTI') include long service leave and share-based payments. Shares are awarded to executives over a period of five years based on long-term incentive measures. These include increase in shareholders' value relative to the entire market and the increase compared to the consolidated entity's direct competitors. The Board reviewed the long-term equity-linked performance incentives specifically for executives during the year ended 31 March 2016, and has not granted any during this period. The Board intends to review this position in the year ended 31 March 2017 with the intention of aligning shareholders and executives over the long term.

*Voting and comments made at the Company's 2016 Annual General Meeting ('AGM')*

At the 2016 AGM, 97.99% of the votes received supported the adoption of the remuneration report for the year ended 31 March 2016. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

***Details of remuneration***

*Amounts of remuneration*

Details of the remuneration of key management personnel of the Group are set out in the following tables.

The key management personnel of the Group consisted of the following Directors of Vertua Limited:

- Christopher Bregenhoj - Non-Executive Chairman
- James Manning - Managing Director
- Benjamin Doyle - Executive Director

**Vertua Limited**  
**Directors' report**  
**31 March 2017**

	Short-term benefits	Post- employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees \$	Super- annuation \$	Long service leave \$	Equity- settled \$	Total \$
<b>2017</b>					
<i>Non-Executive Directors:</i>					
Christopher Bregenhoi	19,500	-	-	-	19,500
<i>Executive Directors:</i>					
Benjamin Doyle	244,448	22,083	8,568	-	275,098
James Manning	276,000	-	-	-	276,000
	<u>539,948</u>	<u>22,083</u>	<u>8,568</u>	<u>-</u>	<u>570,598</u>

	Short-term benefits	Post- employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees \$	Super- annuation \$	Long service leave \$	Equity- settled \$	Total \$
<b>2016</b>					
<i>Non-Executive Directors:</i>					
Christopher Bregenhoi	12,000	-	-	-	12,000
<i>Executive Directors:</i>					
Benjamin Doyle (part year)	88,482	7,361	826	-	96,669
James Manning	176,000	-	-	-	176,000
	<u>276,482</u>	<u>7,361</u>	<u>826</u>	<u>-</u>	<u>284,669</u>

**Service agreements**

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	James Manning
Title:	Managing Director
Term of agreement:	Unspecified
Details:	Per the service agreements in place with Vertua Limited, James Manning receives a base salary of \$36,000 per annum, in addition Mr Manning bills Vertua for time spent over and above an agreed set of hours per month. Mr Manning has a fixed management agreement with Horizon Print Management for \$60,000 per annum and invoices other group entities based on time spent each month.
Name:	Christopher Bregenhoi
Title:	Chairman
Term of agreement:	Unspecified
Details:	Per the service agreements in place with Vertua Limited, Christopher Bregenhoi receives \$26,400 per annum, an increase of \$14,400 from last year which took effect from November 2016.
Name:	Benjamin Doyle
Title:	Director
Term of agreement:	Unspecified
Details:	Per the service agreements in place with Vertua Limited, Benjamin Doyle receives \$12,000 per annum and in addition to this he also has an employment contract with Fiducia Group for \$254,531 per annum.

**Vertua Limited**  
**Directors' report**  
**31 March 2017**

Key management personnel have no entitlement to termination payments in the event of removal for misconduct. The notice period for James Manning is 6 months, all other Directors have a notice period of 3 months. Performance bonuses will be paid to Directors up to the date of termination.

**Share-based compensation**

*Issue of shares*

There were no Class A shares issued to Directors and other key management personnel as part of compensation during the year ended 31 March 2017.

*Options*

At 31 March 2017 10,000,000 options over Class A shares issued to Directors as part of a loan restructure agreement. Refer to page 57 for further detail.

There were no options over Class A shares granted to or vested by Directors and other key management personnel as part of compensation during the year ended 31 March 2017.

**Direct Holding**

	Shares			Options			Convertible Notes		
Directors	31/03/2016	Net Change	31/03/2017	31/03/2016	Net Change	31/03/2017	31/03/2016	Net Change	31/03/2017
James Manning	Nil	-	Nil	Nil	-	-	Nil	-	-
Christopher Bregenhoj	Nil	-	Nil	Nil	-	-	Nil	-	-
Benjamin Doyle	125,000	-	125,000	Nil	-	-	Nil	-	-
Total	125,000	-	125,000	Nil	-	-	Nil	-	-

**Indirect Holding**

	Shares			Options			Convertible Notes		
Directors	31/03/2016	Net Change	31/03/2017	31/03/2016	Net Change	31/03/2017	31/03/2016	Net Change	31/03/2017
James Manning	1,956,259			11,050,000	300,000	11,350,000	15,958,686	-	-
Christopher Bregenhoj	Nil	-	Nil	1,350,000	-	1,350,000	Nil	-	-
Benjamin Doyle	620,451	-	620,451	1,350,000	-	1,350,000	6,032,699	-	-
Total	2,576,710			13,750,000	300,000	14,050,000	21,991,385	-	-

***This concludes the remuneration report, which has been audited.***

**Shares issued on the exercise of options**

There were no Class A shares of Vertua Limited issued on the exercise of options during the year ended 31 March 2017 and up to the date of this report.

**Indemnity and insurance of officers**

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

**Indemnity and insurance of auditor**

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

**Proceedings on behalf of the Company**

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

**Non-audit services**

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 34 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in note 34 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

**Officers of the Company who are former partners of**

There are no officers of the Company who are former partners of William Buck.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors

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Christopher Bregenhoj  
Chairman

14 June 2017

**Vertua Limited**  
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**31 March 2017**

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**Vertua Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 31 March 2017**

	<b>Note</b>	<b>Consolidated 2017 \$</b>	<b>2016 \$</b>
Revenue	5	18,843,726	14,700,802
Other income		1,221,770	543,371
Cost of sales	7	<u>(13,272,249)</u>	<u>(13,041,643)</u>
Gross profit		<u>6,793,247</u>	<u>2,202,530</u>
Gain on bargain purchase	6	35,098	1,409,123
<b>Expenses</b>			
Salaries and wages		(2,983,765)	(850,284)
Management fees		(240,000)	(125,115)
Director fees		(67,500)	(58,487)
Professional fees		(647,479)	(613,767)
Property costs		(280,158)	(222,935)
Advertising and promotion		(55,360)	(11,106)
Other expenses from ordinary activities		(1,117,494)	(194,075)
Depreciation and amortisation expense	7	<u>(1,246,502)</u>	<u>(480,590)</u>
<b>Operating profit</b>		190,087	1,055,294
Finance costs		<u>(1,183,359)</u>	<u>(231,929)</u>
<b>Profit/(loss) before income tax benefit</b>		(993,272)	823,365
Income tax benefit	8	<u>137,137</u>	<u>497,758</u>
<b>Profit/(loss) after income tax benefit for the year</b>		(856,135)	1,321,123
Other comprehensive income for the year, net of tax		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<u><u>(856,135)</u></u>	<u><u>1,321,123</u></u>
Profit/(loss) for the year is attributable to:			
Non-controlling interest		21,037	27,974
Owners of Vertua Limited		<u>(877,172)</u>	<u>1,293,149</u>
		<u><u>(856,135)</u></u>	<u><u>1,321,123</u></u>
Total comprehensive income for the year is attributable to:			
Non-controlling interest		21,037	27,974
Owners of Vertua Limited		<u>(877,172)</u>	<u>1,293,149</u>
		<u><u>(856,135)</u></u>	<u><u>1,321,123</u></u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	42	(8.2)	13.1

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

**Vertua Limited**  
**Statement of financial position**  
**As at 31 March 2017**

	<b>Note</b>	<b>Consolidated 2017 \$</b>	<b>2016 \$</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	581,075	840,244
Trade and other receivables	10	8,182,658	4,595,396
Inventories and work in progress	11	2,443,921	232,947
Financial assets	12	1,669,301	3,368,959
Net present value of trail commission income	13	381,866	292,899
<b>Total current assets</b>		<b>13,258,821</b>	<b>9,330,445</b>
<b>Non-current assets</b>			
Receivables	14	26,500	-
Property, plant and equipment	15	2,439,119	2,755,799
Investment property	15	879,932	-
Intangibles	16	3,805,778	4,812,805
Deferred tax	17	734,329	657,452
Net present value of trail commission income	18	697,119	820,819
<b>Total non-current assets</b>		<b>8,582,777</b>	<b>9,046,875</b>
<b>Total assets</b>		<b>21,841,598</b>	<b>18,377,320</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	19	3,195,880	3,272,049
Income tax	20	-	90,934
Provisions	21	152,267	164,166
Deferred settlement liability	22	74,607	529,700
<b>Total current liabilities</b>		<b>3,422,754</b>	<b>4,056,849</b>
<b>Non-current liabilities</b>			
Payables	23	63,174	-
Financial liabilities measured at amortised cost	24	7,073,078	5,682,682
Financial liabilities	25	4,008,986	1,380,000
<b>Total non-current liabilities</b>		<b>11,145,238</b>	<b>7,062,682</b>
<b>Total liabilities</b>		<b>14,567,992</b>	<b>11,119,531</b>
<b>Net assets</b>		<b>7,273,606</b>	<b>7,257,789</b>
<b>Equity</b>			
Issued capital	26	4,746,557	4,704,398
Convertible notes	27	3,265,420	3,265,420
Reserves	28	445,504	-
Accumulated losses		(3,435,568)	(2,586,370)
Equity attributable to the Owners of Vertua Limited		5,021,913	5,383,448
Non-controlling interest	29	2,251,693	1,874,341
<b>Total equity</b>		<b>7,273,606</b>	<b>7,257,789</b>

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

**Vertua Limited**  
**Statement of changes in equity**  
**For the year ended 31 March 2017**

<b>Consolidated</b>	<b>Issued capital \$</b>	<b>Convertible notes \$</b>	<b>Revaluation reserve \$</b>	<b>Retained losses \$</b>	<b>Non-controlling interest \$</b>	<b>Total equity \$</b>
Balance at 1 April 2015	4,704,398	-	-	(3,879,519)	-	824,879
Profit after income tax benefit for the year	-	-	-	1,293,149	27,974	1,321,123
Other comprehensive income for the year, net of tax	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	1,293,149	27,974	1,321,123
Non-controlling interest upon acquisition	-	-	-	-	1,846,367	1,846,367
<i>Transactions with owners in their capacity as owners:</i>						
Contributions of equity, net of transaction costs (note 26)	-	3,265,420	-	-	-	3,265,420
Balance at 31 March 2016	<u>4,704,398</u>	<u>3,265,420</u>	<u>-</u>	<u>(2,586,370)</u>	<u>1,874,341</u>	<u>7,257,789</u>
<b>Consolidated</b>	<b>Issued capital \$</b>	<b>Convertible notes \$</b>	<b>Revaluation reserve \$</b>	<b>Retained losses \$</b>	<b>Non-controlling interest \$</b>	<b>Total equity \$</b>
Balance at 1 April 2016	4,704,398	3,265,420	-	(2,586,370)	1,874,341	7,257,789
Loss after income tax benefit for the year	-	-	-	(877,172)	21,037	(856,135)
Other comprehensive income for the year, net of tax	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(877,172)	21,037	(856,135)
Shares issued	42,159	-	-	-	-	42,159
Non-controlling interest movements during the year	-	-	-	-	384,289	384,289
Non-controlling interests waived	-	-	-	27,974	(27,974)	-
Movements in revaluation reserve	-	-	445,504	-	-	445,504
Balance at 31 March 2017	<u>4,746,557</u>	<u>3,265,420</u>	<u>445,504</u>	<u>(3,435,568)</u>	<u>2,251,693</u>	<u>7,273,606</u>

*The above statement of changes in equity should be read in conjunction with the accompanying notes*



**Vertua Limited**  
**Statement of cash flows**  
**For the year ended 31 March 2017**

	<b>Note</b>	<b>Consolidated 2017 \$</b>	<b>2016 \$</b>
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		18,973,948	17,172,442
Payments to suppliers and employees (inclusive of GST)		(22,142,644)	(15,388,463)
		(3,168,696)	1,783,979
Interest received		213,437	94,702
Interest and other finance costs paid		(210,077)	(162,929)
Income taxes paid		-	(83,061)
Net cash (used in)/from operating activities	41	(3,165,336)	1,632,691
<b>Cash flows from investing activities</b>			
Payment for purchase of business, net of cash acquired	38	(250,000)	(1,123,366)
Payments for projects undertaken		(281,356)	-
Payments for property, plant and equipment	15	(177,678)	(245,693)
Payments for intangibles	16	(48,796)	(125,000)
Net cash used in investing activities		(757,830)	(1,494,059)
<b>Cash flows from financing activities</b>			
Net movement in borrowings		-	349,733
Loans extended to non-controlling interest group		(119,001)	-
Net proceeds received from loans provided by related party		454,012	-
Net proceeds received from bank loan facilities		2,628,986	-
Net proceeds received from non-controlling interest group		700,000	-
Net cash from financing activities		3,663,997	349,733
Net increase in cash and cash equivalents		(259,169)	488,365
Cash and cash equivalents at the beginning of the financial year		840,244	351,879
Cash and cash equivalents at the end of the financial year	9	<u>581,075</u>	<u>840,244</u>

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

**Note 1. General information**

The financial statements cover Vertua Limited as a Group consisting of Vertua Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Vertua Limited's functional and presentation currency.

Vertua Limited (the 'Company') is a listed public company limited by shares, incorporated and domiciled in Australia. The Company is listed in the National Stock Exchange of Australia with the code VERA. Its registered office and principal place of business is:

Level 5 97 Pacific Highway  
North Sydney NSW Australia 2060

A description of the nature of the Group's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 14 June 2017. The Directors have the power to amend and reissue the financial statements.

**Note 2. Significant accounting policies**

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

**New or amended Accounting Standards and Interpretations adopted**

The Group is currently assessing the impact of new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB').

The following Accounting Standards and Interpretations are most relevant to the Group:

*AASB 9 Financial Instruments*

AASB 9 includes requirements for the classification and measurement of financial assets, the accounting requirements for financial liabilities, impairment testing requirements and hedge accounting requirements.

The changes made to accounting requirements by these standards include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value and an allowance for debt instruments to be carried at fair value through other comprehensive income in certain circumstances
- simplifying the requirements for embedded derivatives
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument
- financial assets will need to be reclassified where there is a change in an entity's business model as they are initially classified based on (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows
- amending the rules for financial liabilities that the entity elects to measure at fair value, requiring changes in fair value attributed to the entity's own credit risk to be presented in other comprehensive income
- introducing new general hedge accounting requirements intended to more closely align hedge accounting with risk management activities as well as the addition of new disclosure requirements
- requirements for impairment of financial assets

The Group is yet to consider the impact of these changes.

**Note 2. Significant accounting policies (continued)**

*AASB 16 Leases*

AASB 16 introduces a single lessee accounting model that requires all leases to be accounted for on balance sheet. A lessee will be required to recognise an asset representing the right to use the underlying asset during the lease term (i.e. right-of-use asset) and a liability to make lease payments (i.e. lease liability). Two exemptions are available for leases with a term less than 12 months or if the underlying asset is of low value.

The lessor accounting requirements are substantially the same as in AASB 117. Lessors will therefore continue to classify leases as either operating or finance leases.

AASB 16 will replace AASB 117 Leases, Interpretation 4 Determining Whether an Arrangement contains a Lease, Interpretation 115 Operating Leases – Incentives and interpretation 127 Evaluating the substance of Transactions Involving the Legal Form of a Lease.

The Group is yet to consider the impact of these changes.

*AASB 15 Revenue from Contracts with Customers*

AASB 15 establishes a single, comprehensive framework for revenue recognition, and replaces the previous revenue Standards AASB 118 Revenue and AASB 111 Construction Contracts, and the related Interpretations on revenue recognition Interpretation 13 Customer Loyalty Programmes, Interpretation 15 Agreements for the Construction of Real Estate, Interpretation 18 Transfers of Assets from Customers and Interpretation 131 Revenue—Barter Transactions Involving Advertising Services.

AASB 15 introduces a five step process for revenue recognition with the core principle of the new Standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

AASB 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

The Group is yet to consider the impact of these changes.

**Basis of preparation**

These consolidated general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB'). Vertua Ltd is a for-profit entity for the purpose of preparing the financial statements.

*Historical cost convention*

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

*Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

**Parent entity information**

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 37.

**Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all controlled entities of Vertua Limited (the 'Company') as at 31 March 2017 and the Group results of all controlled entities for the year then ended.

**Note 2. Significant accounting policies (continued)**

Controlled entities are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Entities are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

The acquisition of controlled entities are accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent entity.

During the year the Group acquired controlled entities with different reporting periods to that of Vertua Limited. Refer to Note 36: Interest in controlled entities, for further information.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Group loses control over a controlled entity, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

**Operating segments**

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

**Revenue recognition**

Revenue arises from the sale of goods and rendering of services. It is measured by reference to the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts.

The Group applies the revenue recognition criteria set out below to each separately identifiable component of the sales transaction in order to reflect the substance of the transaction. The consideration received for these multiple-component transactions are allocated to the separately identifiable component in proportion to its relative fair value.

*Print management*

Sale of goods or services provided by the Print division are recognised when the Group has transferred to the buyer the significant risks and rewards of ownership, generally when the customer has taken undisputed delivery of the goods.

*Property development and project management*

Revenue is recognised on settlement of the sale of property, except where the Group can apply the provisions associated with the sale of a property under an off the plan contract. Under this latter scenario the Group will apply accounting for a "for construction" contract, whereby the Group can elect to use the percentage completion methodology. Rental income is recognised on an accruals basis in accordance with the Australian Accounting Standards.

*Professional financial services*

Revenue is recognised with reference to the stage of completion of the transaction at the end of the reporting period, where the outcome can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable. Note that historically Professional Services would recognize WIP as revenue, however a change in accounting policies to not recognize WIP from October 2016 was enacted, in order to be adhere to changes in accordance with the Australian Accounting Standards.

**Note 2. Significant accounting policies (continued)**

*Interest, dividends, gains and losses*

Interest income and expenses are reported on an accrual basis using the effective interest method. Dividends other than those from investments in associates are recognised in the income statement when received.

*Commission and fee revenue*

Revenue from organisation of loans is comprised of commission paid at the time the loan is originated and trailing commission which is paid over the life of the loan. Origination commissions received are recognised as revenue on settlement of the loan.

Revenue from trail commissions earned from lenders on the settlement of the loans is recognised at fair value being the net present value ("NPV") of future trail commissions to be received. Correspondingly, trail commission expense is recognised at fair value being the NPV of the future trail commissions to be paid and subsequently measured at amortised cost.

The NPV of the future trail commissions on managed loans, where the consolidated entity provides ongoing service during the life of the loan, is adjusted by the fair value of providing that on going service.

*Other revenue*

Other revenue is recognised when it is received or when the right to receive payment is established.

**Income tax**

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the x asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

**Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

**Note 2. Significant accounting policies (continued)**

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

**Cash and cash equivalents**

Cash and cash equivalents includes cash on hand.

**Trade and other receivables**

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

**Inventories**

Print services and work in progress are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Properties held for redevelopment are inventory and represented by work-in-progress. Work performed but not yet invoiced by Horizon are carried as work-in-progress.

**Note 2. Significant accounting policies (continued)**

**Financial instruments**

**Initial recognition and measurement**

Financial assets and financial liabilities are recognised when the entity becomes party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value, except where the instrument is classified "at fair value through profit and loss", in which case transaction costs are expensed to profit and loss immediately.

**Classification and subsequent measurement**

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

**Financial liabilities**

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

**Impairment**

A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

**Derecognition**

Financial assets are derecognised when the contractual rights to receipt of cash flows expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

**Note 2. Significant accounting policies (continued)**

**Property, plant and equipment**

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

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Buildings	40 years
Fixtures and fittings	3-10 years
Plant and equipment	3-7 years
Computer equipment	2-5 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

**Investment property**

Investment properties principally comprise of freehold land and buildings held for long-term rental and capital appreciation that are not occupied by the Group. Investment properties are initially recognised at cost, including transaction costs, and are subsequently remeasured annually at fair value. Movements in fair value are recognised directly to profit or loss.

Investment properties are derecognised when disposed of or when there is no future economic benefit expected.

Transfers to and from investment properties to property, plant and equipment are determined by a change in use of owner-occupation. The fair value on the date of change of use from investment properties to property, plant and equipment are used as deemed cost for the subsequent accounting. The existing carrying amount of property, plant and equipment is used for the subsequent accounting cost of investment properties on the date of change of use.

**Operating leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

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

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.



**Note 2. Significant accounting policies (continued)**

**Intangible assets**

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

*Goodwill*

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

*Customer relationships*

Customer relationships acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 8 years.

*Software*

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

*Contractual rights*

Contractual rights acquired in a business combination are amortised on a straight line basis over the period of their initial expected benefit, being their finite life of 15 months. One project however, being the development at Northbridge NSW, was identified to have life of greater than 15 months and subsequently adjusted to reflect its finite life at a revised 31 months.

**Impairment of non-financial assets**

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

**Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

**Financial liabilities**

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

The Group's policy is to ensure that the majority of its borrowings for real estate investment should mature beyond projected disposal dates at all times.

**Note 2. Significant accounting policies (continued)**

**Borrowing costs**

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs are reported as finance costs in the statement of profit and loss and other comprehensive income.

**Employee benefits**

*Short-term employee benefits*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

*Other long-term employee benefits*

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

*Post employment benefits plans*

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

**Provisions, contingent liabilities and contingent assets**

Provisions, contingent liabilities and contingent assets are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision, contingent liability or contingent asset is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions, contingent liabilities and contingent assets are discounted using a current pre-tax rate specific to the liability. The increase in the provision, contingent liability or contingent asset resulting from the passage of time is recognised as a finance cost.

**Fair value measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

**Note 2. Significant accounting policies (continued)**

**Issued capital**

Effective 1 July 1998, the corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly, the Group does not have authorised capital or par value in respect of its issued shares.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Class A shares are classified as equity.

Class A shares participate in 100% of any dividends declared and 100% of the proceeds on winding up in proportion to the number of shares held. At shareholders meetings each "A" Class share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

**Convertible notes**

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes, in accordance with accounting practice, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not re-measured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

In the financial statements, the fair value of convertible notes comprises the fair value of the liability and the equity residual value. The Company has recorded convertible notes at the amount of money advanced. This is because, given the nature and size of the Company, the face value of the unsecured debt under the convertible note is the most reliable estimate of the fair value of the unsecured debt (i.e. there exists no market for debt of this nature to facilitate a fair value estimate).

**Business combinations**

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired. The acquisition method of accounting is also used for common control business combinations.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

## **Note 2. Significant accounting policies (continued)**

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

### **Earnings per share**

#### *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to the Owners of Vertua Limited, excluding any costs of servicing equity other than Class A shares, by the weighted average number of Class A shares outstanding during the financial year, adjusted for bonus elements in Class A shares issued during the financial year.

#### *Diluted earnings per share*

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

### **Goods and Services Tax ('GST') and other similar taxes**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

## **Note 3. Critical accounting judgements, estimates and assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

#### *Provision for impairment of receivables*

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

**Note 3. Critical accounting judgements, estimates and assumptions (continued)**

*Provision for impairment of inventories*

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

*Fair value measurement hierarchy*

The Group is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

*Estimation of useful lives of assets*

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

*Goodwill and other indefinite life intangible assets*

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

*Impairment of non-financial assets other than goodwill and other indefinite life intangible assets*

The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

*Income tax*

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

*Recovery of deferred tax assets*

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

The Group relies upon the Modified Continuity of Ownership ("COT") provisions for its ability to utilise the losses of Vertua Limited and its subsidiaries. Should the Group breach the Modified COT provisions then it is unlikely that the Group would be able to access the losses and this would result in a large impairment of the deferred tax asset.

*Employee benefits provision*

As discussed in note 2, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date.

**Note 3. Critical accounting judgements, estimates and assumptions (continued)**

*Business combinations*

As discussed in note 2, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

On 29 February 2016, Vertua Limited effectively acquired 50% ownership and the control over "The Locumsgroup" for consideration of \$2,806,123 with a deferred amount of \$839,090 payable on or before 30 June 2016. The deferred consideration component has been subject to measurement period adjustments during the year ended 31 March 2017, with the revised deferred settlement liability calculated to be \$529,700.

The terms give Vertua Limited equal representation on the board of Locumsgroup. The Group furthermore has the right to obtain the residual 50% from Locumsgroup via a put and call option agreement between both parties.

*Accounting for business combinations under common control*

Common control transactions are specifically scoped out of AASB3 Business Combinations and management therefore have applied their best judgement to develop an accounting policy to accurately disclose the nature of the acquisition in accordance with AASB 108: Accounting policies, changes in accounting estimates and errors.

Although common control combinations are specifically outside the scope of AASB 3: Business Combinations, in management's view, its principles can nevertheless be applied by analogy. The directors have therefore applied the acquisition method principles in accordance with the standard in accounting for the acquisition of Joe Public Holdings Pty Ltd.

The above policy is considered to be consistent with other business combinations that have taken place during and previous years/periods.

**Note 4. Operating segments**

*Identification of reportable operating segments*

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a monthly basis.

The consolidated entity is organised into three operating segments: printing services, property developments and professional financial services. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The Group has one major customer in the Print segment being Hello Fresh Pty Ltd. Hello Fresh accounts for 19% of total Print segment revenue and 10% of total Group revenue.

*Types of products and services*

The principal products and services of each of these operating segments are as follows:

Printing	Relates to the value added print management services provided by Horizon Print Management.
Property	Relates to the identification, acquisition, development and sale of development sites by Fiducia Group.
Professional services	Relates to the accounting, financial planning, mortgage brokerage, real estate advisory and other services provided by Locumsgroup.
Other	Relates to the Groups corporate assets.

**Note 4. Operating segments (continued)**

All of the Groups segments operate in Australia.

*Operating segment information*

	<b>Printing</b>	<b>Property</b>	<b>Professional services</b>	<b>Other</b>	<b>Total</b>
<b>Consolidated - 2017</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Revenue</b>					
Revenue	11,731,769	4,718,723	2,393,234	-	18,843,726
Other	392,932	628,733	54,485	180,718	1,256,868
<b>Total revenue</b>	<b>12,124,701</b>	<b>5,347,456</b>	<b>2,447,719</b>	<b>180,718</b>	<b>20,100,594</b>
Cost of sales	(10,103,714)	(2,944,441)	(224,094)	-	(13,272,249)
Salaries and wages	(928,696)	(611,425)	(1,299,159)	(144,484)	(2,983,765)
Management fees	(60,000)	-	-	(180,000)	(240,000)
Director fees	-	-	-	(67,500)	(67,500)
Finance costs	(624)	(662,733)	(9,820)	(510,182)	(1,183,359)
Professional fees	(47,811)	(79,166)	(10,183)	(510,319)	(647,479)
Property costs	(24,345)	(123,715)	(132,097)	-	(280,158)
Advertising and promotion	(33,907)	(9,285)	(11,150)	(1,018)	(55,360)
Other expenses	(487,041)	(111,884)	(231,754)	(286,815)	(1,117,494)
Depreciation and amortisation expense	(36,753)	(952,739)	(194,719)	(72,191)	(1,246,502)
<b>Loss before income tax expense</b>	<b>401,810</b>	<b>(138,032)</b>	<b>332,800</b>	<b>(1,589,849)</b>	<b>(993,272)</b>
Income tax benefit					137,137
<b>Loss after income tax expense</b>					<b>(856,135)</b>
<b>Assets</b>					
Segment assets	3,417,469	12,676,869	4,484,909	1,262,351	21,841,598
<b>Total assets</b>					<b>21,841,598</b>
<b>Liabilities</b>					
Segment liabilities	3,567,276	8,983,280	351,203	1,666,233	14,567,992
<b>Total liabilities</b>					<b>14,567,992</b>

Liabilities included in the "other" operating segment relate to overall funding of the Group's operations.

**Note 4. Operating segments (continued)**

	Printing	Property	Professional services	Other	Total
	\$	\$	\$	\$	\$
<b>Consolidated - 2016</b>					
<b>Revenue</b>					
Revenue	11,590,012	2,982,681	213,407	82,014	14,868,114
Other	-	1,785,182	-	-	1,785,182
<b>Total revenue</b>	<u>11,590,012</u>	<u>4,767,863</u>	<u>213,407</u>	<u>82,014</u>	<u>16,653,296</u>
 Cost of sales	(10,343,191)	(2,638,070)	(60,382)	-	(13,041,643)
Salaries and wages	(549,714)	(189,140)	(44,777)	(66,653)	(850,284)
Management fees	(60,000)	(60,000)	(5,115)	-	(125,115)
Director fees	-	-	-	(58,487)	(58,487)
Finance costs	(125,314)	(23,291)	(788)	(82,536)	(231,929)
Professional fees	(83,058)	(23,412)	(7,423)	(499,874)	(613,767)
Property costs	(48,976)	(145,002)	-	(28,957)	(222,935)
Advertising and promotion	(10,054)	(1,052)	-	-	(11,106)
Other expenses	(108,904)	(43,501)	(39,873)	(1,797)	(194,075)
Depreciation and amortisation expense	(8,072)	(455,531)	(198)	(16,789)	(480,590)
<b>Profit/(loss) before income tax benefit</b>	<u>252,729</u>	<u>1,188,864</u>	<u>54,851</u>	<u>(673,079)</u>	<u>823,365</u>
Income tax benefit					497,758
<b>Profit after income tax benefit</b>					<u>1,321,123</u>
 <b>Assets</b>					
Segment assets	3,413,015	8,177,157	3,241,640	3,545,508	18,377,320
<b>Total assets</b>					<u>18,377,320</u>
 <b>Liabilities</b>					
Segment liabilities	2,358,798	2,771,898	2,211,997	3,776,838	11,119,531
<b>Total liabilities</b>					<u>11,119,531</u>

Liabilities included in the "other" operating segment relate to overall funding of the Group's operations.

**Note 5. Revenue**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	\$	\$
<b>Revenue</b>		
Print services	11,731,769	11,590,012
Property sales	4,718,723	2,982,681
Professional services	2,393,234	213,407
Other	-	82,014
	<u>18,843,726</u>	<u>14,868,114</u>



**Note 6. Other income**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Other income</b>		
Interest received	213,437	126,796
Gain on bargain purchase	35,098	1,409,123
Disbursement recovery	323,103	146,084
Fair value gains	254,253	-
Gain on disposals	9,789	-
Insurance claim income	324,655	-
Other	96,533	103,179
	<u>1,256,868</u>	<u>1,785,182</u>

**Note 7. Expenses**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Profit/(loss) before income tax includes the following specific expenses:		
<i>Cost of sales</i>		
Cost of sales	<u>13,272,829</u>	<u>13,041,643</u>
<i>Depreciation</i>		
Amortisation	1,172,226	464,109
Depreciation	<u>74,276</u>	<u>16,481</u>
Total depreciation and amortisation	<u>1,246,502</u>	<u>480,590</u>
<i>Other</i>		
Doubtful debt expense	<u>355,243</u>	<u>-</u>

**Note 8. Income tax benefit**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<i>Numerical reconciliation of income tax benefit and tax at the statutory rate</i>		
Profit/(loss) before income tax benefit	(993,272)	823,365
Tax at the statutory tax rate of 30%	(297,982)	247,010
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Amortisation of intangibles	334,902	-
Legal expenses	73,098	110,826
Other non-deductible amounts	8,999	68,852
Future income tax benefits on tax losses brought to account (previously unrecognised tax losses)	(508,154)	(501,709)
Gain on bargain purchase not assessable	-	(422,737)
Non-deductible interest	147,900	-
Non-deductible Real Estate Commission revaluation	95,714	-
Non-deductible loss on disposal	21,819	-
Non-deductible revaluation of property	62,843	-
Increase in market value not assessable	(76,276)	-
Income tax benefit	<u>(137,137)</u>	<u>(497,758)</u>

**Note 9. Current assets - cash and cash equivalents**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Cash at bank	<u>581,075</u>	<u>840,244</u>

**Note 10. Current assets - trade and other receivables**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	5,883,713	3,546,054
Real estate commissions receivable	362,388	319,045
Less: allowance for doubtful debts	(355,243)	-
	<u>5,890,858</u>	<u>3,865,099</u>
Insurance income receivable	<u>324,655</u>	-
Prepayments	45,251	30,919
Sundry debtors	26,793	38,128
Accrued income	195,101	180,626
Security deposits	-	15,000
	<u>267,145</u>	<u>264,673</u>
Loan: Special Purpose Vehicles for property development	1,700,000	121,500
Loan: Employee advances	-	8,032
Loan: Vendor related loans	-	336,092
	<u>8,182,658</u>	<u>4,595,396</u>

**Note 10. Current assets - trade and other receivables (continued)**

*Impairment of receivables*

The Group has recognized a provision for \$355,243 (2016: \$Nil) in profit and loss in respect of impairment of receivables for the year ended 31 March 2017, against outstanding invoices from the Horizon customer Ortega Publishing Pty Limited (Administrators Appointed) that entered into administration in March 2017. Horizon specifically insures its receivables, and a claim has been submitted for \$324,655 (being the net balance allowing for costs) with Horizon's insurer. Based on legal advice in relation to the claim, we consider that the claim recovery will be successful for the full claimed amount. The claim is currently being assessed by the insurer. Having regard to the above we consider the risk of loss to be \$nil in relation to the balance of \$1,900,697 (2016: \$2,926,398) Horizon receivables.

a) The ageing of the impaired receivables provided for above are as follows:

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
0 to 3 months overdue but not impaired	1,784,320	3,495,427
3 to 6 months overdue but not impaired	116,377	50,627
	<u>1,900,697</u>	<u>3,546,054</u>

**Note 11. Current assets - inventories and work in progress**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Work in progress – print services	95,403	232,947
Work in progress – property stock	2,348,518	-
Total inventories and work in progress	<u>2,443,921</u>	<u>232,947</u>

Properties held for redevelopment are inventory and represented by work-in-progress.

Work performed but not yet invoiced by Horizon is carried as work-in-progress.

**Note 12. Current assets - financial assets**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Financial assets: Interests in residential development entities held at amortised cost	<u>1,669,301</u>	<u>3,368,959</u>

The Group has a number of investments in a variety of development projects located in Sydney, NSW. The investments in development projects represents the net exposure to the underlying projects held by the Group as at reporting date. The Group may be called to contribute additional capital to one or more of the projects depending on the stage of the development, timing of cash flows as well as the projects ability to secure third party funding.

**Note 13. Current assets - net present value of trail commission income**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Commissions receivable	<u>381,866</u>	<u>292,899</u>

**Note 14. Non-current assets - receivables**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Other receivables	26,500	-

**Note 15. Non-current assets - property, plant and equipment & investment property**

***Property, plant and equipment***

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Buildings - at cost	2,148,068	2,072,072
Fixtures and fittings - at cost	268,564	471,553
Less: Accumulated depreciation	(33,834)	(8,650)
	234,730	462,903
Computer equipment - at cost	61,064	169,926
Less: Accumulated depreciation	(40,880)	(4,858)
	20,184	165,068
Office equipment - at cost	53,735	58,998
Less: Accumulated depreciation	(17,598)	(3,242)
	36,137	55,756
	2,439,119	2,755,799

***Reconciliations***

Reconciliations of the written down values at the beginning and end of the current and previous financial periods are set out below:

	Buildings	Fixtures and fittings	Computer equipment	Office equipment	Total
<b>Consolidated</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance at 1 April 2015	-	11,655	2,307	2,053	16,015
Additions	-	26,910	163,339	55,444	245,693
Additions through business combinations (note 38)	2,072,072	432,988	4,280	1,202	2,510,542
Depreciation expense	-	(8,650)	(4,858)	(2,943)	(16,451)
Balance at 31 March 2016	2,072,072	462,903	165,068	55,756	2,755,799
Reclassification to intangibles	-	-	(147,015)	-	(147,015)
Reclassification of asset classes	327,928	(327,928)	-	-	-
Transfers to investment property (see below)	(697,436)	-	-	-	(697,436)
Additions	-	138,028	31,531	8,120	177,678
Disposals	-	-	-	(21,135)	(21,135)
Revaluation increments (see Note 28)	445,504	-	-	-	445,504
Depreciation expense	-	(38,273)	(29,400)	(6,604)	(74,276)
Balance at 31 March 2017	2,148,068	234,730	20,184	36,137	2,439,119

**Note 15. Non-current assets - property, plant and equipment & investment property (continued)**

***Investment property***

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Investment property	<u>879,932</u>	<u>-</u>

***Reconciliations***

Reconciliations of the values at the beginning and end of the current and previous financial periods are set out below:

<b>Consolidated</b>	<b>Total</b>
	<b>\$</b>
Balance at 31 March 2016	-
Transfer from owner-occupied property:	697,436
Revaluation increments (see Note 28)	<u>182,496</u>
Balance at 31 March 2017	<u><u>879,932</u></u>

**Note 16. Non-current assets - intangibles**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Goodwill	<u>1,970,263</u>	<u>2,000,874</u>
Contractual rights	1,683,068	1,683,069
Less: Accumulated amortisation	<u>(1,361,275)</u>	<u>(448,818)</u>
	321,793	1,234,251
Customer relationships	1,592,977	1,592,971
Less: Accumulated amortisation	<u>(214,413)</u>	<u>(15,291)</u>
	1,378,564	1,577,680
Software - at cost	195,810	-
Less: Accumulated amortisation	<u>(60,652)</u>	<u>-</u>
	135,158	-
	<u><u>3,805,778</u></u>	<u><u>4,812,805</u></u>

**Note 16. Non-current assets - intangibles (continued)**

**Reconciliations**

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

<b>Consolidated</b>	<b>Goodwill \$</b>	<b>Contractual rights \$</b>	<b>Customer relationships \$</b>	<b>Software \$</b>	<b>Total \$</b>
Balance at 1 April 2015	1,004,184	-	-	-	1,004,184
Additions	-	-	125,000	-	125,000
Additions through business combinations	996,690	1,683,069	1,467,971	-	4,147,730
Amortisation expense	-	(448,818)	(15,291)	-	(464,109)
Balance at 31 March 2016	2,000,874	1,234,251	1,577,680	-	4,812,805
Additions	-	-	-	48,795	48,795
Transfers in/(out)	-	-	-	147,015	147,015
Additional interest taken up on 30 June 2016	(30,611)	-	-	-	(30,611)
Amortisation expense	-	(912,458)	(199,116)	(60,652)	(1,172,226)
Balance at 31 March 2017	<u>1,970,263</u>	<u>321,793</u>	<u>1,378,564</u>	<u>135,158</u>	<u>3,805,778</u>

a) The intangible asset additions arising from the three acquisitions concluded during the financial year ended 31 March 2016 amount to \$4,147,730. The directors' consider the fair value of these acquisitions to be confirmed by the specific transaction occurring between knowledgeable, independent parties and an accurate reflection of their recoverable amounts in context of the Vertua business model.

Intangible assets, other than goodwill, have finite useful lives. The current period amortisation charge for intangible assets is included under the depreciation and amortisation expense in the statement of profit and loss and other comprehensive income.

Customer relationships acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 8 years.

Contractual rights acquired in a business combination are amortised in line with the embedded contractual milestones ending on contract completion, expected to occur over the next 2 years.

The goodwill acquired on the Locumsgroup acquisition represents the expected return on future profits that will be made and synergies that will be achieved through the acquisition of the professional services segment.

b) Goodwill is assessed annually by management for impairment. The Goodwill acquired on the acquisition of Horizon Print Management, amounting to \$1,004,184, has been assessed and management believe there is no requirement for an impairment charge in the year.

In context of the Goodwill impairment testing, the directors have forecast annual revenue growth to increase over the next 2-4 years and have considered an achievable medium-term revenue target at the end of 2019. The directors expect the full benefits of the Company's integrated sales initiatives to materialise during this period before entering a long-term growth pattern at an annual rate of at least 5%. Horizon Print Management has experienced revenue growth from \$11m in 2016 to \$11.7m in 2017, management consider exponential growth in the medium term to be attainable.

Apart from the above the following key assumptions were used in the impairment calculation:

- Growth rate (from 2019 onward revenue forecasts): 5%
- Discount rate: 12%

**Note 17. Non-current assets - deferred tax**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<i>Deferred tax asset comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Tax losses recognised	1,410,000	687,448
Tax losses utilised	(694,162)	-
Employee benefits	57,474	81,187
Accrued expenses	106,573	5,701
Revenue received in advance	820	594
Accounts payable	-	11,075
Accounts receivable	(28,267)	(128,553)
Deductible capitalised expenses	(28,621)	-
Accounting revenue on sale of properties in advance of settlement	(89,488)	-
Deferred tax asset	<u>734,329</u>	<u>657,452</u>

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

Excluding the above, the Group has remaining unrecognised tax losses of \$542,068 subject to the ability to meet the continuity of ownership or the same business test.

The Group relies upon the Modified Continuity of Ownership ("COT") provisions for its ability to utilise the losses of Vertua Limited and its subsidiaries. Should the Group breach the Modified COT provisions then it is unlikely that the Group would be able to access the losses and this would result in a significant impairment of the related deferred tax asset.

**Note 18. Non-current assets - net present value of trail commission income**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Commissions receivable	<u>697,119</u>	<u>820,819</u>

**Note 19. Current liabilities - trade and other payables**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Trade payables	1,482,530	2,906,307
Related party loans	30,000	-
Finance lease liabilities	73,929	-
Deferred income	-	87,091
BAS payable	371,636	164,391
Other payables	1,237,911	114,260
	<u>3,196,006</u>	<u>3,272,049</u>

Refer to note 31 for further information on financial instruments.

**Note 20. Current liabilities - income tax**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Provision for income tax	-	90,934

**Note 21. Current liabilities - provisions**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Annual leave	80,206	84,239
Long service leave	72,061	79,927
	<u>152,267</u>	<u>164,166</u>

**Note 22. Current liabilities - deferred settlement liability**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Deferred settlement liability	-	529,700
Loan: Wexford Family Trust	20,912	-
Loan: Ex-Pat Capital	53,695	-
	<u>74,607</u>	<u>529,700</u>

On 29 February 2016 Vertua Limited acquired control over Locumsgroup for a provisional consideration determined at this date as \$2,806,123 with a deferred consideration component of \$839,090, as reported in the annual financial report.

However, the deferred consideration component has been subject to measurement period adjustments, which in line with reporting requirements has been taken up retrospectively and the comparative position adjusted accordingly. The revised deferred settlement liability amounts to \$529,700, as outlined in note 38, and was subsequently finalised during the second half year period.

The purchase agreement allows for the offset against the deferred settlement liability of certain loan balances relating to the vendor.

**Note 23. Non-current liabilities - payables**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Finance lease liabilities	<u>63,174</u>	<u>-</u>

Refer to note 31 for further information on financial instruments.



**Note 24. Non-current liabilities - financial liabilities measured at amortised cost**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
The Manning Group Pty Ltd	-	2,339,345
Esplanade Super Pty Ltd	278,809	265,212
Holicarl Pty Ltd	278,809	265,212
Manning Capital Pty Ltd	2,453,351	1,700,000
Manning Capital Holdings Pty Ltd	2,442,599	-
Woodville Super Pty Ltd	278,809	265,212
Convertible note instrument	1,340,701	847,701
	<u>7,073,078</u>	<u>5,682,682</u>

Refer to note 31 for further information on financial instruments.

The Manning Group Pty Ltd loan was expanded to provide additional working capital and acquisition funding for the purchase of Locumsgroup. This loan was subsequently replaced by a loan from Manning Capital Holdings on comparable terms. Manning Capital Holdings is considered a related party.

The loan from Manning Capital Pty Ltd has been used to purchase the net assets of RB Partners Pty Ltd during FY16. An additional loan was forwarded to the Group for investment into FPG No.1 Pty Ltd. Manning Capital Pty Ltd is considered a related party.

The loans from Esplanade Super Pty Ltd, Holicarl Pty Ltd and Woodville Super Pty Ltd were used to purchase 80% of the net assets of CFL Property Pty Ltd during the FY16 year. Esplanade Super Pty Ltd and Woodville Super Pty Ltd are considered related parties.

The liability in relation to the convertible note is the present value of the deemed interest flow arising under the terms of the convertible note agreement, which represents the liability component of \$778,701 as determinant on the date of acquisition with an opening balance FY17 balance of \$847,701. An interest component in FY17 of \$493,000 has been recorded. The key terms of the agreement are outlined in Note 27:

*Total secured liabilities*

The total secured liabilities (current and non-current) are as follows:

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Manning Group Pty Ltd	-	2,339,345
Manning Capital Holdings Pty Ltd	2,442,599	-
Manning Capital Pty Ltd	2,453,351	1,700,000
Esplanade Super Pty Ltd	278,809	265,212
Holicarl Pty Ltd	278,809	265,212
Woodville Super Pty Ltd	278,809	265,212
	<u>5,732,377</u>	<u>4,834,981</u>

*Assets pledged as security*

The loans from Holicarl Pty Ltd, Esplanade Super Pty Ltd, Woodville Super Pty Ltd and The Manning Group loan have a General Security Agreement over the assets of Vertua Limited and Vertua Investments Limited. The NAB loans are secured by first mortgages over the Group's property at 97 Pacific Highway, North Sydney.

**Note 25. Non-current liabilities - financial liabilities**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
CommBank Mortgages Bill Line	-	1,380,000
NAB loan - property development	2,708,986	-
NAB loan - property investment	1,300,000	-
	<u>4,008,986</u>	<u>1,380,000</u>

The CommBank Mortgage Bill Line was replaced with a NAB facility on similar terms and conditions.

The increase in facility was utilised during the period to fund the property acquisition for a new development project (as shown in Note 11) and is secured by title over said property.

**Note 26. Equity - issued capital**

	<b>Consolidated</b>			
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>Shares</b>	<b>Shares</b>	<b>\$</b>	<b>\$</b>
Class A shares - fully paid	<u>10,475,548</u>	<u>9,873,275</u>	<u>4,746,557</u>	<u>4,704,398</u>

*Class A shares*

Class A shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid Class A shares have no par value and the Company does not have a limited amount of authorised capital.

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

*Share buy-back*

There is no current on-market share buy-back.

*Capital risk management*

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment. The Group is actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The Group is subject to certain financing arrangements and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 31 March 2016 Annual Report.

**Note 27. Equity - convertible notes**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Convertible notes	<u>3,265,420</u>	<u>3,265,420</u>
Equity reserve - convertible notes		

On 8 February 2016 the shareholders of Vertua Limited voted in favour of issuing 40,000,001 Convertible Notes at a value of \$0.15, totalling \$6,000,000 for the acquisition of Joe Public Holdings Pty Limited. These have been discounted to reflect the present value.

The main terms of issue of the Convertible Notes (the 'Notes') include:

- i) The Notes are deemed to be interest free up to their third anniversary of issue where-after interest on face value at a rate equal to BBSW + 8% per annum applies;
- ii) The Notes are deemed to satisfy the "fixed-for-fixed" criteria as per AASB 132.22, due to each Note converting to one ordinary share in the Company, if the conversion is activated;
- iii) All Note holders need to act as one;
- iv) Conversion may be exercised by the holder at any time within 5 years from date of issue;
- v) Conversion may also be exercised by the issuer ( the Company ) after 3 years from date of issue;
- vi) Redemption of the Note is at the option of either holder or issuer after 5 years.

Applying the conversion rights to the requirements of AASB 132: Financial Instruments: Presentation the Notes are deemed to be Equity Instruments with no debt component being identified.

**Note 28. Equity - reserves**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Revaluation reserve	<u>445,504</u>	<u>-</u>

The revaluation reserve relates to the fair value increase in the property held by Vertua Limited, being the portion that is owner occupied only. In accordance with AASB 140 Investment in Property, only the portion of a property that is held for investment can be revalued to the profit and loss with the balance of 'owner occupied' portion to be recorded in the revaluation reserve.

The total fair value uplift assessed at 31 March 2017 was \$628,000. Based on a 30% floor space apportionment for the current tenant that is external to the Vertua Group, \$182,496 was recorded as a fair value gain in the profit and loss with the balance of \$445,504 being recorded in the revaluation reserve.

## **Note 29. Equity - non-controlling interest**

The non-controlling interest relates to 50% shareholding in the Locumsgroup and 50% shareholding of the FPG No.1 Unit Trust held by external parties.

On 10 May 2016 Vertua Limited acquired the remaining 20% shareholding in CFL Property Pty Ltd, valued at \$285,098, for \$250,000, realising a gain of \$35,098. The company now holds 100% of the issued share capital in CFL Property Pty Ltd and the non-controlling interest has been eliminated.

The principal place of business of FPG No.1 Unit Trust is now deemed to be the same as the Group.

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Non-controlling interest	2,251,693	1,874,341
	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Non-controlling interest - Locumsgroup	1,530,656	1,561,269
Non-controlling interest - CFL Property Pty Ltd	-	285,098
Non-controlling interest - FPG No. 1 Unit Trust	700,000	-
Profit attributable to Non-controlling interest	21,037	27,974
	2,251,693	1,874,341

## **Note 30. Equity - dividends**

There were no dividends paid, recommended or declared during the current or previous financial year.

## **Note 31. Financial instruments**

### ***Financial risk management objectives***

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk and liquidity risk. The Board of the Group monitors these risk factors as part of regular reviews of financial performance and the portfolio.

The Audit and Risk Committee (ARC) has been delegated responsibility by the Board of Directors for, amongst other issues, monitoring and managing financial risk exposures of the Group. The ARC monitors the Group's financial risk management policies and exposures and approves financial transactions within the scope of its authority. It also reviews the effectiveness of internal controls relating to counter party credit risk, financing risk and interest rate risk. The ARC met three times during the year and its minutes are reviewed by the Board.

The ARC's overall risk management strategy seeks to assist the Group in meeting its financial targets, while minimising potential adverse effects on its financial performance. Its functions include the review of credit risk policies and future cash flow requirements

### ***Market risk***

#### ***Price risk***

The Group's financial assets, totaling \$1,669,301 (2016: \$3,368,959), are units held in financial assets. An increase/decrease in price of 500 (2016: 500) basis points would have a favourable/(unfavourable) effect on profit before tax of \$83,465/\$(83,465) (2016: \$169,608/\$(169,608)). The percentage change is based on the expected volatility of price movements using market data and analyst forecasts.

**Note 31. Financial instruments (continued)**

*Interest rate risk*

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at reporting date whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments.

At 31 March 2017 the Group had a variety of secured and unsecured lenders.

The Groups exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and liabilities is set out below:

	2017		2016	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
<b>Consolidated</b>				
Cash and cash equivalents	1.75%	581,075	1.75%	840,244
CommBank Mortgages Bill Line	-	-	2.75%	(1,380,000)
Related party payables	6.62%	(5,762,377)	6.62%	(4,834,981)
Convertible note	-	(1,340,701)	-	(847,701)
NAB loan	4.88%	(4,008,986)	-	-
Net exposure to cash flow interest rate risk		<u>(10,530,989)</u>		<u>(6,222,438)</u>

For the Group the cash and cash equivalents on hand, totaling \$581,075 (2016: \$840,244), are deposits held at call with financial institutions. An official increase/decrease in interest rates of 100 (2016: 100) basis points would have a favourable/(unfavourable) effect on profit before tax of \$5,811/\$(5,811) (2016: \$8,402/\$(8,402)). The percentage change is based on the expected volatility of interest rates using market data and analyst forecasts.

Interest rate risk is the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market interest rates. Any financial instruments with fixed interest rates exposes the Group to fair value interest rate risk, whereas with floating interest rates, the Group is exposed to cash flow interest rate risk.

**Credit risk**

A credit risk is the risk of default on a debt that may arise from a borrower failing to make required payments. In the first resort, the risk is that of the lender and includes lost principal and interest, disruption to cash flows, and increased collection costs.

The maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date as summarised below.

	Consolidated	
	2017 \$	2016 \$
<b>Classes of financial assets - carrying amounts</b>		
Cash and cash equivalents	581,075	840,244
Accounts receivable	5,890,858	3,865,099
Loan: Special Purpose Vehicle for property development	1,700,000	-
Financial assets	<u>1,669,301</u>	<u>3,368,959</u>
Total	<u>9,841,234</u>	<u>8,074,302</u>

**Note 31. Financial instruments (continued)**

Management regularly perform reviews across the Group for any accounts receivable that may not be settled. The Accounts receivable position across the Group does not lead management to believe any amounts should be impaired. All of the Accounts receivable in Horizon Print Management are subject to debtor insurance and thus the risk of impairment is low. Active management of the Locumsgroup receivables plus related party relationships with Fiducia transactions result in the credit risk being deemed to be low by management.

The Group has no significant contribution of credit risk with any single counter party or group of counter parties.

Credit risk related to balances with banks and other financial institutions is managed by the Audit Risk Committee (ARC) in accordance with approved Board policy. Surplus funds are only invested with Australian major financial institutions.

Management have made an assessment that the investments in projects are highly likely to be completed successfully and therefore impairment charges are not required as at 31 March 2017. The financial assets are managed by the Locumsgroup and Vertua respectively. Management regularly review the investments for impairment, as at 31 March 2017 management have made an assessment that no impairment charges are required.

**Liquidity risk**

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- Maintaining a reputable credit profile.
- Managing credit risk related to financial assets.
- Investing surplus cash with major financial institutions.
- Comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The Group's policy is to ensure that the majority of its borrowings for real estate investment should mature beyond projected disposal dates at all times.

The Group also has undrawn facilities with the Manning Group to assist with any difficulties that the Group may encounter.

**Remaining contractual maturities**

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid.

	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>Consolidated - 2017</b>						
<i>Financial assets - cash flows realisable</i>						
Cash and cash equivalents	1.75%	581,075	-	-	-	581,075
Trade receivables	-	5,890,858	-	-	-	5,890,858
Financial assets	-	1,669,301	-	-	-	1,669,301
		<u>8,141,234</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,141,234</u>
<i>Financial liabilities - due for payment</i>						
Trade payables	-	(1,482,530)	-	-	-	(1,482,530)
Related party payables	6.62%	(5,762,377)	-	-	-	(5,762,377)
Convertible note	-	-	-	(1,340,701)	-	(1,340,701)
NAB loans	4.88%	-	-	(4,008,986)	-	(4,008,986)
Total non-derivatives		<u>(7,244,907)</u>	<u>-</u>	<u>(5,349,687)</u>	<u>-</u>	<u>(12,594,594)</u>

**Note 31. Financial instruments (continued)**

	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>Consolidated - 2016</b>						
<i>Financial assets - cash flows realisable</i>						
Cash and cash equivalents	1.75%	840,244	-	-	-	840,244
Trade receivables	-	3,546,054	-	-	-	3,546,054
Financial assets	-	3,368,959	-	-	-	3,368,959
		<u>7,755,257</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,755,257</u>
<i>Financial liabilities - due for payment</i>						
Trade payables	-	(2,906,307)	-	-	-	(2,906,307)
CommBank Mortgages Bill Line	2.75%	(1,380,000)	-	-	-	(1,380,000)
Related party payables	6.62%	-	-	(4,834,981)	-	(4,834,981)
Convertible note	-	-	-	(847,701)	-	(847,701)
Total non-derivatives		<u>3,468,950</u>	<u>-</u>	<u>(5,682,682)</u>	<u>-</u>	<u>(2,213,732)</u>

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

**Note 32. Fair value measurement**

*Fair value hierarchy*

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Consolidated - 2017</b>				
<i>Assets</i>				
Financial assets	-	-	1,669,301	4,017,819
Total assets	<u>-</u>	<u>-</u>	<u>1,669,301</u>	<u>4,017,819</u>

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Consolidated - 2016</b>				
<i>Assets</i>				
Financial assets	-	-	3,368,959	3,368,959
Total assets	<u>-</u>	<u>-</u>	<u>3,368,959</u>	<u>3,368,959</u>

There were no transfers between levels during the financial year.

**Note 32. Fair value measurement (continued)**

The fair value of financial assets and liabilities that are not traded in an active market is determined by using valuation techniques which include the use of arm's length transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models and other valuation techniques that provide a reliable estimate of the value obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions. For other pricing models, inputs are based on market data at the end of the reporting period.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions. The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions held.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

**Note 33. Key management personnel disclosures**

*Directors*

The following persons were Directors of Vertua Limited during the financial year:

Christopher Bregenhøj  
Benjamin Doyle  
James Manning

*Compensation*

The aggregate compensation made to Directors and other members of key management personnel (KMP) of the Group is set out below:

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	539,948	276,482
Post-employment benefits	22,083	7,361
Long-term benefits	8,568	826
	<u>570,598</u>	<u>284,669</u>

*Short-term employee benefits*

These amounts include fees and benefits paid to executive and non-executive directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to other KMP.

*Share-based payments*

These amounts represent the expense related to participation of KMP in equity-settled benefit schemes as measured by the fair value of the options, rights and shares granted on grant date.

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 31 March 2017 and the year ended 31 March 2016.



**Note 34. Remuneration of auditors**

During the financial year the following fees were paid or payable for services provided by William Buck (Grant Thornton in FY2016), the auditor of the Company:

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<i>Audit services -</i>		
Audit or review of the financial statements – Grant Thornton	61,900	38,300
Audit or review of the financial statements – William Buck	125,900	-
	<hr/>	<hr/>
<i>Other services -</i>		
Accounting assistance	66,290	-
Corporate advisory	38,900	-
Preparation of the tax return & tax advice	35,150	6,820
	<hr/>	<hr/>
	<b>328,140</b>	<b>45,120</b>
	<hr/> <hr/>	<hr/> <hr/>

**Note 35. Commitments**

The future minimum operating lease payments are detailed below.

There is no option to renew the lease for the Locumsgroup as the building is scheduled for demolition in 3 years. The Horizon Print Management lease expires on 31 December 2017 and is now considered to be company occupied from the year end.

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<i>Lease commitments – operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	94,184	215,449
One to five years	-	184,937
	<hr/>	<hr/>
	<b>94,184</b>	<b>400,386</b>
	<hr/> <hr/>	<hr/> <hr/>

**Note 36. Related party transactions**

*Parent entity*

Vertua Limited is the parent entity.

*Subsidiaries*

Interests in subsidiaries are set out in note 39.

*Key management personnel*

Disclosures relating to key management personnel are set out in note 33 and the remuneration report included in the Directors' report.

**Note 36. Related party transactions (continued)**

*Transactions with related parties*

The following transactions occurred with related parties:

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Management and administration fees:</b>		
First Equity Taxation Services Pty Ltd	292,804	199,493
Manning Property Development Pty Ltd	60,000	-
Fiducia Estate Agents Pty Ltd	12,000	-
First Equity Partners Pty Ltd	19,500	-
<b>Project management services:</b>		
Fiducia Development Group Pty Ltd	-	13,500
<b>Interest payments:</b>		
Joe Public Holdings Pty Ltd	-	843
Manning Group Pty Ltd	282,747	150,788
Woodville Super Pty Ltd	13,597	1,440
Manning Capital Pty Ltd	53,351	-
Manning Capital Holdings Pty Ltd	12,599	-
Esplanade Super Pty Ltd	13,597	-
Holicarl Pty Ltd	13,597	-

**Management and administration fees:**

Vertua Limited has paid fees relating to the management and operation of Vertua, including accounting and taxation advice, general administration, company secretarial and the provision of office services.

**Interest payments:**

Vertua Limited has paid interest payments on related loan expense.

*Receivable from and payable to related parties*

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

*Loans from related parties*

The following balances are outstanding at the reporting date in relation to loans with related parties:

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Manning Group Pty Ltd	-	2,339,345
Manning Capital Pty Ltd	2,453,351	1,700,000
Manning Capital Holdings Pty Ltd	2,442,599	-
Esplanade Super Pty Ltd	278,809	265,212
Holicarl Pty Ltd	278,809	265,212
Woodville Super Pty Ltd	278,809	265,212

*Terms and conditions*

All transactions were made on normal commercial terms and conditions and at market rates.

**Note 37. Parent entity information**

Set out below is the supplementary information about the parent entity.

*Statement of profit or loss and other comprehensive income*

	<b>Parent</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Profit after income tax	807,538	1,473,063
Total comprehensive income	807,538	1,473,063

*Statement of financial position*

	<b>Parent</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Total current assets	9,421,163	8,774,667
Total assets	15,898,696	10,616,419
Total current liabilities	410,593	339,422
Total liabilities	8,783,671	4,951,956
Equity		
Issued capital	4,818,193	4,776,034
Convertible notes	3,265,420	3,265,420
Revaluation reserve	445,504	-
Accumulated losses	(1,414,092)	(2,376,991)
Total equity	7,115,025	5,664,463

*Guarantees entered into by the parent entity in relation to the debts of its subsidiaries*

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 31 March 2016. During the 2017 financial year, Vertua has provided a guarantee to NAB for debt incurred in FPG No1 Pty Ltd.

*Contingent liabilities*

The parent entity had no contingent liabilities as at 31 March 2017 or 31 March 2016.

*Capital commitments - Property, plant and equipment*

The parent entity had no capital commitments for property, plant and equipment as at 31 March 2017 or 31 March 2016.

*Significant accounting policies*

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2.

**Note 38. Business combinations**

The Company had made a number of business acquisitions in the previous financial year. As at 31 March 2017, no measurement period adjustments have been made with the exception of the acquisition of the Locumsgroup.

**Note 38. Business combinations (continued)**

*Acquisition of The Locumsgroup*

On 29 February 2016, Vertua Limited acquired 50% ownership and the control over "The Locumsgroup" for a provisional consideration of \$2,806,123 with a deferred amount of \$839,090 payable on or before 30 June 2016 as disclosed in the 31 March 2016 financial report. However, the deferred consideration component has been subject to measurement period adjustments, with the revised deferred settlement liability calculated to be \$529,700 as outlined below.

In the year since the acquisition occurred, the net asset position of Locumsgroup as at the acquisition-date balance sheet has also been subject to additional measurement period adjustments.

The net effect of the identified refinements have resulted in Locumsgroup's net assets increasing by \$433,430 over the net asset position reported in the Group's 31 March 2016 annual report.

In line with reporting requirements, any measurement period adjustments identified during the year ended 31 March 2017 have been taken up retrospectively and the comparative position adjusted accordingly.

The combined effect of the amendments outlined above has resulted in a downward adjustment of goodwill.

	<b>Fair value</b> <b>\$</b>
Cash and cash equivalents	28,731
Trade receivables	150,072
Other receivables	540,469
Plant and equipment	16,830
Customer relationships	1,467,971
Net present value of trail commission income	1,113,718
Real estate commission receivable	319,045
Trade payables	(134,154)
Other payables	(84,741)
Provision for income tax	(198,076)
Other provisions	(71,244)
Other liabilities	(87,311)
	<hr/>
Net assets of Locumsgroup	3,061,310
	<hr/>
Revised acquisition date fair value of 50% acquired by Vertua Limited	1,530,655
Goodwill	966,078
	<hr/>
Acquisition-date fair value of the total consideration transferred	2,496,733
	<hr/>
Representing:	
Cash paid to vendor	1,967,033
Deferred settlement liability	529,700
	<hr/>
	2,496,733
	<hr/>

**Note 39. Interests in controlled entities**

The consolidated financial statements incorporate the assets, liabilities and results of the following controlled entities in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2017 %	2016 %
<b>Corporate</b>			
Vertua Investments Limited	Australia	100.00%	100.00%
Vertua Nominees Pty Ltd	Australia	100.00%	100.00%
<b>Print Segment</b>			
Horizon Print Management Pty Ltd	Australia	100.00%	100.00%
<b>Professional Services Segment</b>			
Locumsgroup Asset Management Pty Ltd	Australia	50.00%	50.00%
Locumsgroup Sydney Pty Ltd	Australia	50.00%	50.00%
Locumsgroup Core Unit Trust	Australia	50.00%	50.00%
Locumsgroup Administrative Services Trust	Australia	50.00%	50.00%
Locumsgroup Finance Trust No. 2	Australia	50.00%	50.00%
Braxton Unit Trust	Australia	50.00%	50.00%
Locumsgroup Private Accounting Services Pty Ltd	Australia	50.00%	50.00%
<b>Property Segment</b>			
CFL Property Pty Ltd (Deregistered)	Australia	0.00%	80.00%
RB Partners Pty Ltd	Australia	100.00%	100.00%
Joe Public Holdings Pty Ltd	Australia	100.00%	100.00%
Fiducia Group Pty Ltd	Australia	100.00%	100.00%
Fiducia Development Group Pty Ltd	Australia	100.00%	100.00%
Fiducia Property Group Pty Ltd	Australia	100.00%	100.00%
Fiducia Development Management Trust	Australia	100.00%	100.00%
FPG No. 1 Pty Ltd	Australia	50.00%	50.00%
144 Fullers Road Pty Ltd	Australia	100.00%	0.00%
FPG No. 2 Pty Ltd	Australia	100.00%	0.00%
FPG No. 3 Pty Ltd	Australia	100.00%	0.00%
FPG No. 4 Pty Ltd (Dormant)	Australia	100.00%	0.00%
FPG No. 5 Pty Ltd (Dormant)	Australia	100.00%	0.00%
Great Superintendent Pty Ltd	Australia	100.00%	0.00%

**Note 40. Events after the reporting period**

No matter or circumstance has arisen since 31 March 2017 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

**Note 41. Reconciliation of profit/(loss) after income tax to net cash from/(used in) operating activities**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Profit/(loss) after income tax benefit for the year	(856,135)	1,321,123
Adjustments for:		
Depreciation and amortisation	1,246,503	480,590
Deemed interest on convertible note	493,000	-
Interest on related party loans	443,384	-
Gain on bargain purchase	(35,100)	(1,409,123)
Change in operating assets and liabilities:		
(Increase)/Decrease in trade and other receivables	(2,307,070)	377,062
(Increase)/Decrease in deferred tax assets	(76,878)	(556,665)
Decrease in prepayments and sundry debtors	91,569	84,750
(Increase)/Decrease in inventories and property stock	(952,810)	2,842,426
Increase /(Decrease) in trade and other payables	(1,108,197)	464,264
Increase/(Decrease) in provision for income tax	(60,259)	(24,126)
Increase in other provisions	-	73,005
(Decrease)/Increase in deferred income	(43,343)	(2,020,615)
Net cash from/(used in) operating activities	<u>(3,165,336)</u>	<u>1,632,691</u>

**Note 42. Earnings per share**

The basic earnings per share have been calculated using the profit attributable to shareholders of the Parent Company (Vertua Ltd) as the numerator.

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Profit/(loss) after income tax	(877,172)	1,321,123
Non-controlling interest	21,037	(27,974)
Profit/(loss) after income tax attributable to the Owners of Vertua Limited	<u>(856,135)</u>	<u>1,293,149</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of Class A shares used in calculating basic earnings per share	10,475,548	9,873,275
Adjustments for calculation of diluted earnings per share:		
Potential conversion of convertible notes	40,000,001	40,000,001
Options over ordinary shares	14,050,000	13,750,000
Weighted average number of Class A shares used in calculating diluted earnings per share	<u>64,525,549</u>	<u>63,623,276</u>

As the group is loss making in the current year, potential ordinary shares arising from convertible notes and share options have not been included in the calculation of diluted earnings per share as they are considered anti-dilutive.

	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(8.2)	13.1

**Vertua Limited**  
**Directors' declaration**  
**31 March 2017**

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 March 2017 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors

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Christopher Bregenhoj  
Chairman

14 June 2017

**Vertua Limited**  
**Shareholder information**  
**31 March 2017**

Vertua Limited has on issue 10,475,548 fully paid Class A shares held by 317 holders as at 31 March 2017. All Class A shares of the Company carry one vote per share.

**Distribution of equitable securities**

Analysis of number of equitable security holders by size of holding:

	Number of holders	Shares	% of issued capital
1,001 to 5,000	3	15,000	1
5,001 to 10,000	123	1,038,125	9
10,001 to 100,000	180	3,675,301	35
100,001 and over	11	5,747,122	55
	<b>318</b>	<b>10,475,548</b>	<b>100</b>
Holding less than a marketable parcel	-	-	-

**Equity security holders**

*Twenty largest quoted equity security holders*

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

Investor name	Total shares	% of issued capital
HOLICARL PTY LTD	1,590,900	15.19
MANNING CAPITAL HOLDINGS PTY LTD	1,525,616	14.56
LILY BORDEAUX PTY LTD	620,451	5.92
CALVERT INVESTMENTS PTY LTD	601,681	5.74
WOODVILLE SUPER PTY LIMITED	430,913	4.11
MR DAVID LEON	261,252	2.49
MR STUART PAGE	227,273	2.17
MR IAN CRAWFORD MAXWELL & MRS PHILIPPA JANE MAXWELL	125,000	1.19
BENJAMIN JOHN DOYLE & MARIE CHRISTINA ASHLEY	125,000	1.19
WEXFORD SUPER PTY LTD	113,636	1.08
KIZUN PTY LTD	112,900	1.08
MR WILLIAM LYON	100,000	0.95
PETER SCHAAP & PAULINE SCHAAP	90,000	0.86
MS JOANNE MAREE BAULCH	80,000	0.76
MR CRAIG ALEXANDER GODHAM	72,000	0.69
MR TREVOR JOHN O'SHEA & MRS JOANNE ELSIE O'SHEA	50,000	0.48
C & AC PTY LTD	40,500	0.39
PETER RICHARDS	40,000	0.38
FRANCIS STUART ALBRECHT & ANN VIOLET ALBRECHT	40,000	0.38
L & J MARTIN PTY LTD	40,000	0.38
	<b>6,287,122</b>	<b>60.02</b>



**Vertua Group Options on issue**

<b>Investor name</b>	<b>2017</b>	<b>2016</b>
Manning Group Pty Ltd*	-	9,700,000
Manning Capital Holdings Pty Ltd*	10,000,000	-
Holicarl Pty Ltd	1,350,000	1,350,000
Esplanade Super Fund Pty Ltd	1,350,000	1,350,000
Woodville super Pty Ltd	<u>1,350,000</u>	<u>1,350,000</u>
<b>Total</b>	<b>14,050,000</b>	<b>13,750,000</b>

\* In March 2017 Vertua Group entered into a new finance facility with Manning Capital Holdings Pty Ltd (MCH) which replaced the facility previously provided by Manning Group Pty Ltd. As part of this restructure, MCH was granted 10,000,000 options (the 'Grant') that are subject to shareholder approval.

Upon approval by shareholders, the options held by Manning Group Pty Ltd have been cancelled and will be re-issued in case the Grant is not approved.

**Vertua Group Convertible notes on issue**

<b>Entity name</b>	<b>2017</b>	<b>2016</b>
Holicarl Pty Ltd	15,468,458	15,468,458
Lily Bordeaux Pty Ltd	6,032,699	6,032,699
Woodville Super Pty Ltd	843,733	843,733
Manning Custodian Pty Ltd	-	15,114,953
Manning Capital Holdings Pty Ltd	15,114,953	-
Wealth Holdings Trustees Ltd	<u>2,540,158</u>	<u>2,540,158</u>
<b>Total</b>	<b>40,000,001</b>	<b>40,000,001</b>