

Vertua Limited

ACN 108 076 295

Annual Report - 31 March 2018

Vertua Limited
Directors' report
31 March 2018

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 2018.

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 activities of the Group consisted of:

- Property development and management services
- Print services
- Professional services

The company has maintained its operational strategy set out previously in the period to 31 March 2017, 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.

The Property division has concluded developments during the year, being the Chatswood, Waterloo and Clovelly developments, and acquired either directly or indirectly interests in new opportunities. The residential development market presents a number of challenges in the current market, namely recent changes in federal law limiting foreign investors. Tightening 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, sourcing third party funding outside of the "Big 4" banks, as well as expanding into other areas such as project management. The property division has also explored, and will continue to explore, options in the property management space.

The Printing division continues to perform above acquisition metrics. Whilst revenue was down from last year as expected (due to the loss of a client to Administration in the prior year) overall gross profit is up for FY18 in comparison to FY17. A strategic review of the business was conducted through the year resulting in two additional service line offerings in the digital space that the business is executing. Given this, the board is comfortable with the operation and its growth prospects of this division.

The Locumsgroup is performing at a satisfactory level albeit under budget. The tightening property market has resulted in limited opportunities for the real estate advisory division to acquire new sites for clients. Locumsgroup has been undergoing change throughout this period, having moved office after 20 years in the same location, a re-branding of the business and the development of a new website. In addition, Locumsgroup has migrated in its entirety to the Group's accounting enterprise system which will allow us to gather greater insights into the business with data being captured within a single system. The full integration with the Group will start to realise synergies, efficiencies and insightful reporting. We will continue to roll out initiatives and explore cross-selling opportunities with the property division.

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 \$311,811 (31 March 2017: loss of \$856,135).

**Vertua Limited
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31 March 2018**

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 principal activities section of this report.

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

We continue to seek opportunities 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 continuing to explore various property management rights avenues and has also sourced project management work on a recurring fixed fee income basis.

Printing:

The printing division continues to perform well. The impact of the loss of a significant client to external Administrators in March 2017 has seen revenue drop below budget, however we have realised an increase in gross profit over the same period (compared to budget and FY17 actuals). A strategic review was conducted on the business in FY18 and we are currently executing several opportunities identified in the medium to long term within the industry. We will continue to expand this business. In light of the above, the board is comfortable with the operation and growth prospects of this division.

Professional Services:

The Locumsgroup is performing below budget predominantly in the tax and accounting sector and the property sector. We expect the business to turn around the underperforming sectors and will continue to grow. The Board fully supports this opportunity. The Locumsgroup has undergone some operational efficiencies throughout the year which we believe will have a positive impact on the business. We will continue to explore expansion opportunities while reviewing the operational efficiencies we can extract.

Significant changes in the state of affairs

Deconsolidation of FPG No 1 Pty Ltd

Effective 30 September 2017, the Group finalised the full disposal of its entire unit holding in FPG No.1 Unit Trust and interest in FPG No.1 Pty Ltd (the related trustee), and consequently its interest in 144 Fullers Road Pty Ltd. The units were redeemed at \$1 per unit.

Acquisition of Defender Asset Management Pty Ltd

Effective from 1 October 2017, the Group finalised the purchase of Defender Asset Management Pty Ltd, which has a registered Australian Financial Services License. The consideration on acquisition is comprised of a split between cash, acquired debt and ordinary shares issued in Vertua Limited. See Note 38 for further details.

Matters subsequent to the end of the financial year

On 24 April 2018, 4,050,000 Class A shares were issued on the exercise of options to Esplanade Superannuation, Woodville Super and Holicarl Pty Ltd at \$0.20 per share. The options converted were in line with the share option deed. The conversion has reduced the debt component of the Group by a total of \$810,000. In addition, 1,950,000 convertible notes were converted for the same number of shares. Finally, an additional 1,300,000 shares were issued to third party for a consideration of \$260,000.

Likely developments and expected results of operations

The Property division is continuing to scope and model out potential development sites to add to its portfolio. The Professional Services division will continue its operational assessment to achieve synergies from an accounting and finance function, whilst it continues to grow its funds under management and general client base. The Printing division continues to push up margins with repricing of engagements, and is currently implementing new service lines in the digital space.

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 Chairman of the Nomination and Remuneration Committee
Interests in shares:	Nil
Interests in options:	1,350,000 indirectly through the 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 11 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 Member of the Nomination and Remuneration Committee
Interests in shares:	1,956,259 indirectly through the Manning Family Associates
Interests in options:	10,450,000 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 16 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 Member of the Nomination and Remuneration 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 Bregenhøj 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 2018, and the number of meetings attended by each Director were:

	Full Board		Audit and Risk Committee	
	Attended	Held	Attended	Held
Christopher Bregenhøj	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; and
- 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; and
- 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; and
- 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 31 August 2017, 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; and
- 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 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 2018, and has not granted any during this period. The Board intends to review this position in the year ended 31 March 2019 with the intention of aligning shareholders and executives over the long term.

Voting and comments made at the Company's 2017 Annual General Meeting ('AGM')

At the 2017 AGM held on 31 August 2017, 89.02% of the votes received supported the adoption of the remuneration report for the year ended 31 March 2017. 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.

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

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

	Short-term benefits	Post- employment benefits	Long-term benefits	Share-based payments	
2018	Cash salary and fees \$	Super- annuation \$	Long service leave \$	Equity- settled \$	Total \$
<i>Non-Executive Directors:</i> Christopher Bregenhøj	30,000	-	-	-	30,000
<i>Executive Directors:</i> Benjamin Doyle	244,448	22,083	4,197	-	270,728
James Manning	251,764	-	-	-	251,764
	526,212	22,083	4,197	-	552,492

	Short-term benefits	Post- employment benefits	Long-term benefits	Share-based payments	
2017	Cash salary and fees \$	Super- annuation \$	Long service leave \$	Equity- settled \$	Total \$
<i>Non-Executive Directors:</i> Christopher Bregenhøj	19,500	-	-	-	19,500
<i>Executive Directors:</i> Benjamin Doyle	244,448	22,083	8,568	-	275,099
James Manning	276,000	-	-	-	276,000
	539,948	22,083	8,568	-	570,599

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 Bregenhøj
Title: Chairman
Term of agreement: Unspecified
Details: Per the service agreements in place with Vertua Limited, Christopher Bregenhøj receives \$30,000 per annum.

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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 \$258,727 per annum (inclusive of superannuation and LSL accrual).

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, as determined by the Board from time to time, 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 2018.

Options

At 31 March 2018, no options over Class A shares were issued to Directors as part of a loan restructure agreement.

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 2018.

Direct Holding

	Shares			Exercisable Options			Convertible Notes		
Directors	31/03/2017	Net Change	31/03/2018	31/03/2017	Net Change	31/03/2018	31/03/2017	Net Change	31/03/2018
James Manning	Nil	-	Nil	Nil	-	Nil	Nil	-	Nil
Christopher Bregenhoj	Nil	-	Nil	Nil	-	Nil	Nil	-	Nil
Benjamin Doyle	125,000	-	125,000	125,000	-	125,000	125,000	-	125,000
Total	125,000	-	125,000	125,000	-	125,000	125,000	-	125,000

Indirect Holding

	Shares			Exercisable Options			Convertible Notes		
Directors	31/03/2017	Net Change	31/03/2018	31/03/2017	Net Change	31/03/2018	31/03/2017	Net Change	31/03/2018
James Manning	1,956,259	-	1,956,259	11,350,000	(900,000)	10,450,000	15,958,686	-	15,958,686
Christopher Bregenhoj	Nil	-	Nil	1,350,000	-	1,350,000	Nil	-	Nil
Benjamin Doyle	620,451	-	620,451	1,350,000	-	1,350,000	6,032,699	-	6,032,699
Total	2,576,710	-	2,576,710	14,050,000	(900,000)	13,150,000	21,991,385	-	21,991,385

KMP Loans

The loan from Manning Capital Holdings Pty Ltd of \$4,718,745 (2017: \$2,442,599) was expanded to provide additional working capital and acquisition funding for the purchase of Locumsgroup. Manning Capital Holdings Pty Ltd is considered a related party.

The loans from Esplanade Super Pty Ltd, Holical Pty Ltd and Woodville Super Pty Ltd were used to purchase 80% of the net assets of CFL Property Pty Ltd during the FY2016 year. Esplanade Super Pty Ltd and Woodville Super Pty Ltd are considered related parties. These loans were attached to options, which were subsequently converted in April 2018 being 4,050,000 shares issued at \$0.20 per share, reducing the balance of these loans.

Other transactions with KMP's

The Director Mr Manning, is also a director and shareholder of First Equity Tax Pty Ltd, Manning Property Development Pty Ltd and First Equity Partners Pty Ltd which provide management & administration services and capital funding support to the Group.

The Director Mr Bregenhoj is also a director and shareholder of First Equity Partners Pty Ltd and Esplanade Super Pty Ltd which provide management & administration services and capital funding support to the Group.

The Director Mr Doyle is also a director and shareholder of Fiducia Estate Agents Pty Ltd, which provide management & administration services.

The fees paid in relation to management and administration services amounted to \$293,764, while the interest payments made in relation to the funding support provided by Manning Capital Pty Ltd, Manning Capital Holdings Pty Ltd, Esplanade Super Pty Ltd, Holical Pty Ltd and Woodville Super Pty Ltd, which attracted an interest rate between 5% & 12%, amounted to \$746,206.

Statutory performance indicators

The consequences of the company's performance on shareholder wealth, outlined as a function of its share price and net assets attributable to shareholders over the last 3 years is provided below:

	31 March 2016	31 March 2017	31 March 2018
Share price	\$0.10	\$0.07	\$0.07
Net tangible assets per ordinary security	24.76	33.10	28.04

This concludes the remuneration report, which has been audited.

Corporate Governance

Information on the Company's responsibilities and governance practices can be found in our Corporate Governance Statement available at <http://www.vertua.com.au/corporate-governance-statement/>.

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:

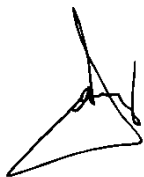
- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued 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.

Auditor's independence declaration

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

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



Christopher Bregenhoj
Chairman

27 June 2018

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE
CORPORATIONS ACT 2001 TO THE DIRECTORS OF VERTUA LIMITED**

I declare that, to the best of my knowledge and belief during the year ended 31 March 2018 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.



William Buck
Chartered Accountants
ABN 16 021 300 521



Rainer Ahrens
Director
Sydney, 27 June 2018

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& ADVISORS**

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Vertua Limited
Statement of profit or loss and other comprehensive income
For the year ended 31 March 2018

	Note	Consolidated 2018 \$	2017 \$
Revenue	5	14,280,557	18,843,726
Other income	6	785,850	1,221,770
Cost of sales	7	<u>(8,689,752)</u>	<u>(13,272,249)</u>
Gross profit		<u>6,376,655</u>	<u>6,793,247</u>
Gain on bargain purchase	6	-	35,098
Loss on disposal	6	(8,018)	-
Expenses			
Salaries and wages		(3,063,181)	(2,983,765)
Management fees		(199,855)	(240,000)
Director fees		(78,000)	(67,500)
Professional fees		(564,129)	(647,479)
Property costs		(249,267)	(280,158)
Advertising and promotion		(42,106)	(55,360)
Other expenses from ordinary activities		(994,802)	(1,117,494)
Depreciation and amortisation expense	7	<u>(672,473)</u>	<u>(1,246,502)</u>
Operating profit		504,824	190,087
Finance costs		<u>(1,450,272)</u>	<u>(1,183,359)</u>
Profit/(loss) before income tax benefit		(945,448)	(993,272)
Income tax benefit	8	<u>633,637</u>	<u>137,137</u>
Profit/(loss) after income tax benefit for the year		(311,811)	(856,135)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		<u>(311,811)</u>	<u>(856,135)</u>
Profit/(loss) for the year is attributable to:			
Non-controlling interest		-	21,037
Owners of Vertua Limited		<u>(311,811)</u>	<u>(877,172)</u>
		<u>(311,811)</u>	<u>(856,135)</u>
Total comprehensive income for the year is attributable to:			
Non-controlling interest		-	21,037
Owners of Vertua Limited		<u>(311,811)</u>	<u>(877,172)</u>
		<u>(311,811)</u>	<u>(856,135)</u>
		Cents	Cents
Basic earnings per share	42	(2.6)	(8.2)
Diluted earnings per share	42	-	-

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 2018

	Note	Consolidated 2018 \$	2017 \$
Assets			
Current assets			
Cash and cash equivalents	9	1,077,044	581,075
Trade and other receivables	10	3,836,081	8,182,658
Inventories and work in progress	11	46,896	2,443,921
Financial assets	12	1,819,674	1,669,301
Net present value of trail commission income	13	401,324	381,866
Investment property	15	1,139,253	-
Asset held for sale	15	2,727,414	-
Total current assets		<u>11,047,686</u>	<u>13,258,821</u>
Non-current assets			
Receivables	14	1,065,150	26,500
Property, plant and equipment	15	425,829	2,439,119
Investment property	15	-	879,932
Intangibles	16	3,397,970	3,805,778
Deferred tax	17	1,394,949	734,329
Net present value of trail commission income	18	730,739	697,119
Total non-current assets		<u>7,014,637</u>	<u>8,582,777</u>
Total assets		<u>18,062,323</u>	<u>21,841,598</u>
Liabilities			
Current liabilities			
Trade and other payables	19	1,803,269	3,195,880
Income tax	20	-	-
Provisions	21	190,106	152,267
Other current liabilities	22	1,266,629	74,607
Financial liabilities	25	-	2,708,986
Total current liabilities		<u>3,260,004</u>	<u>6,131,740</u>
Non-current liabilities			
Payables	23	104,841	63,174
Financial liabilities measured at amortised cost	24	6,612,446	7,073,078
Financial liabilities	25	1,350,000	1,300,000
Total non-current liabilities		<u>8,067,287</u>	<u>8,436,252</u>
Total liabilities		<u>11,327,291</u>	<u>14,567,992</u>
Net assets		<u>6,735,032</u>	<u>7,273,606</u>
Equity			
Issued capital	26	4,917,116	4,746,557
Convertible notes	27	3,265,420	3,265,420
Reserves	28	1,078,551	445,504
Accumulated losses		(4,056,766)	(3,435,568)
Equity attributable to the Owners of Vertua Limited		<u>5,204,321</u>	<u>5,021,913</u>
Non-controlling interest	29	1,530,711	2,251,693
Total equity		<u>6,735,032</u>	<u>7,273,606</u>

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 2018

Consolidated	Issued capital \$	Convertible notes \$	Revaluation reserve \$	Accumulated losses \$	Non-controlling interest \$	Total equity \$
Balance at 1 April 2016	4,704,398	3,265,420	-	(2,586,370)	1,874,341	7,257,789
Profit 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>

Consolidated	Issued capital \$	Convertible notes \$	Revaluation reserve \$	Accumulated losses \$	Non-controlling interest \$	Total equity \$
Balance at 1 April 2017	4,746,557	3,265,420	445,504	(3,435,568)	2,251,693	7,273,606
Loss after income tax benefit for the year	-	-	-	(311,811)	-	(311,811)
Other comprehensive income for the year, net of tax	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(311,811)	-	(311,811)
Shares issued	170,559	-	-	-	-	170,559
Non-controlling interest movements during the year	-	-	-	-	(720,982)	(720,982)
Profit share arrangement with Non-Controlling Interest group (see Note 22)	-	-	-	(309,387)	-	(309,387)
Movements in revaluation reserve (see Note 28)	-	-	633,047	-	-	633,047
Balance at 31 March 2018	<u>4,917,116</u>	<u>3,265,420</u>	<u>1,078,551</u>	<u>(4,056,766)</u>	<u>1,530,711</u>	<u>6,735,032</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 2018

	Note	Consolidated 2018 \$	2017 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		16,939,145	18,973,948
Payments to suppliers and employees (inclusive of GST)		(15,414,992)	(22,142,644)
		<u>1,524,153</u>	<u>(3,168,696)</u>
Interest received		-	213,437
Interest and other finance costs paid		(897,272)	(210,077)
Income taxes paid		<u>(26,983)</u>	<u>-</u>
Net cash (used in)/from operating activities	41	<u>599,898</u>	<u>(3,165,336)</u>
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired		(55,738)	(250,000)
Payments for projects undertaken		(659,133)	(281,357)
Receipts for projects undertaken		1,726,500	-
Payments for property, plant and equipment		(91,770)	(177,678)
Payments for intangibles		<u>(54,586)</u>	<u>(48,795)</u>
Net cash used in investing activities		<u>865,273</u>	<u>(757,830)</u>
Cash flows from financing activities			
Amounts paid for hire purchase lease liabilities		(38,241)	-
Loans issued to / received from related parties		(964,966)	454,012
Loans extended to non-controlling interest group		(15,995)	(119,001)
Proceeds received from bank loan facilities		50,000	2,628,986
Proceeds received from non-controlling interest group		<u>-</u>	<u>700,000</u>
Net cash from financing activities		<u>(969,202)</u>	<u>3,663,997</u>
Net increase/(decrease) in cash and cash equivalents		495,969	(259,169)
Cash and cash equivalents at the beginning of the financial year		<u>581,075</u>	<u>840,244</u>
Cash and cash equivalents at the end of the financial year	9	<u><u>1,077,044</u></u>	<u><u>581,075</u></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 27 June 2018. 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') in order to ensure future comparative compliance.

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

AASB 9 Financial Instruments

AASB 9 Financial Instruments 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 below will have minimal and immaterial impact on Vertua:

- 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;
- 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;
- requirements for impairment of financial assets.

AASB 16 Leases

AASB 16 Leases introduces a single lessee accounting model for the identification of lease arrangements and their recognition on balance sheet.

The distinction between operating and finance leases is eliminated for lessees, and a new lease asset (representing the right to use the leased item for the lease term) and a lease liability (representing the obligation to make lease payments) are recognised for all leases.

Lessees should initially recognise a right-of-use asset and lease liability based on the discounted payments required under the lease, taking into account the lease term as determined under the new standard. Determining the lease term will require judgment which was often not needed previously for an operating lease as this did not change the expense recognition. Initial direct costs and restoration costs are also included.

Note 2. Significant accounting policies (continued)

The key elements of the new standard and the effect on financial statements are as follows:

- A 'right-of-use' model replaces the 'risks and rewards' model. Lessees are required to recognise an asset and liability at the inception of a lease.
- All lease liabilities are to be measured with reference to an estimate of the lease term, which includes optional lease periods when an entity is reasonably certain to exercise an option to extend (or not to terminate) a lease.

When assessing the Group's lease commitments, the Group records its software and motor vehicle leases in accordance with AASB 116.

With regard to the property lease entered into by Locumsgroup, an assessment will be required for FY19.

The Locumsgroup property lease was entered into with terms of 5 years and no option to renew. The total cost of the lease from inception to finalisation, factoring in fixed yearly increases of 4% per annum, totals \$902,302. This amount will be recognised on the statement of financial position, both as an asset and liability, after factoring in a present value assessment. This assessment has not yet been calculated.

The impact to the statement of profit or loss and other comprehensive income will be a reclassification from "rent paid" to "Amortisation of rental lease".

AASB 15 Revenue from Contracts with Customers

AASB 15 Revenues from Contracts with Customers 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 is the Australian adoption of IFRS 15. The standard applies to years commencing on or after 1 January 2018.

This new revenue standard is relevant and applicable to the Group from 1 April 2018. AASB 15 outlines a 5-step model to be applied to determine when to recognise revenue and at what value.

1. Identify the contract
2. Identify performance obligations
3. Determine transaction price
4. Allocate the transaction price
5. Recognise revenue

A revenue recognition review was conducted across all operating segments of the Group to assess the impact of the change in Australian Accounting Standards, and internal policies and procedures were re-aligned to ensure compliance with the updated Australian Accounting Standards moving forward. The policy outlined below will be effective from 1 April 2018.

Printing

Printing revenue will be recorded after the commencement of the production cycle, rather than upon delivery of the goods to the customer. The production cycle commences only after explicit written instructions are received from the customer confirming that the quote provided for works is acceptable and that production of the work order should commence. The Group does not determine the change in revenue recognition policy for the Printing division to have a material impact on the business, as each printing project typically has a term of 1 – 3 months.

Property

Revenue from the Property division is predominantly made up of project management fees and profit shares from projects.

Project management fees are documented in the management agreement between the property division and the client. Project management fees are invoiced upon the achievement of specific milestones at the fixed fee price outlined in the management agreement. The current process is in line with AASB 15 Revenues from Contracts with Customers and the 5-step model to recognise revenue.

Note 2. Significant accounting policies (continued)

Profit shares from projects are based on a predetermined percentage split of net profit generated from a project between the Property segment and the equity investors of the project, as outlined in the JV agreement. Profit share revenue is recorded only when the stock from development assets have exchanged and the revenue entitlement is both measurable and payable. A conservative approach is always taken with accrued revenue in order to safeguard potential negative impacts to the revenue recognition by way of unexpected costs or timeline extensions.

Professional Services

Professional service revenue is split between time-based billing, fixed fee engagements and commissions receivable.

Fixed fee engagements for the delivery of a predetermined task are documented in the engagement letter with the client, with a clearly identifiable scope of work, timeframe and fixed fee price. The Professional Services division only recognise revenue when the work has been completed in accordance with the scope of the executed engagement letter.

Time-based billing revenue is based on an hourly rate for services conducted. WIP time is not recorded on the Group's accounts. Time-based billing revenue is recorded when time has accrued and key milestones have been met. Time-based billing rates are highlighted in the engagement letter to clients and the billing cycle is pre-agreed via the engagement agreement. Time-based billing revenue is recorded predominantly when the engaged task has been finalised, however larger engagements have an interim billing clause outlined in the engagement letter allowing for interim billing based on hours worked.

Commissions receivable are subcategorised as up-front commissions and trailing commissions. Revenue recognition of commission income is recorded only when the entitlement to the commission is certain, being when loan documentation is executed and funds are drawn down to the client. Upfront commission is recorded upon settlement of the loan. Trailing commission is recorded in arrears on a cash basis. Biannually, the Group reviews the new loans engaged in the financial year and a present value adjustment is recognised.

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 2018 and the Group results of all controlled entities for the year then ended.

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.

Note 2. Significant accounting policies (continued)

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.

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.

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.

Note 2. Significant accounting policies (continued)

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 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.

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.

Note 2. Significant accounting policies (continued)

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 Printing are carried as work-in-progress.

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.

Note 2. Significant accounting policies (continued)

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.

Property, plant and equipment

Property is stated at fair value less accumulated depreciation and impairment. Any fair value gains are recognised to the revaluation reserve until realised or impaired.

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.

Asset Held for Sale

An asset is deemed to be 'held for sale' if it is available for immediate sale in its present condition, its carrying amount will be recovered principally through a sale transaction, and the sale transaction is highly probable. The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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.

Note 2. Significant accounting policies (continued)

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 in 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 in use.

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.

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 in the prior year to have life of greater than 15 months and subsequently adjusted to reflect its finite life at a revised 31 months.

Note 2. Significant accounting policies (continued)

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.

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 or 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.

Note 2. Significant accounting policies (continued)

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.

Issued capital

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.

Note 2. Significant accounting policies (continued)

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.

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.

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.

Note 4. Operating segments (continued)

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.

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.

Effective 30 September 2017, the Group sold its entire unitholding in FPG No. 1 Unit Trust and interest in FPG No. 1 Pty Ltd acting as its trustee, and consequently its full interest in 144 Fullers Road Pty Ltd.

Effective 1 October 2017, the Group acquired Defender Asset Management Pty Ltd for a consideration of \$128,935 split between \$35,435 in cash, \$17,500 in Vertua Limited shares at \$0.07 per share (being the quoted price at the date of acquisition) and related party loans of \$75,000.

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 the results of operating segments based on earnings before tax. 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 which accounts for 17.33% of total Print segment revenue and 12.15% 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: <ul style="list-style-type: none">- the accounting, financial planning, mortgage brokerage, real estate advisory and other services provided by Locumsgroup;- the AFSL of Defender Asset Management; and- the accounting and finance advice provided by Vertua.
Other	Relates to the Group's corporate assets.

Note 4. Operating segments (continued)

All of the Group's segments operate in Australia.

Operating segment information

	Printing	Property	Professional services	Other	Total
Consolidated - 2018	\$	\$	\$	\$	\$
Revenue					
Revenue	10,448,643	1,505,397	2,287,015	39,502	14,280,557
Other	23,160	708,029	22,894	23,749	777,832
Total revenue	10,471,803	2,213,426	2,309,909	63,251	15,058,389
Cost of sales	(8,644,795)	42,480	(87,437)	-	(8,689,752)
Salaries and wages	(956,262)	(617,870)	(1,194,875)	(294,174)	(3,063,181)
Management fees	(60,000)	15,909	-	(155,764)	(199,855)
Director fees	-	-	-	(78,000)	(78,000)
Finance costs	(901)	(877,876)	(15,336)	(556,159)	(1,450,272)
Professional fees	(43,408)	(125,863)	(26,039)	(368,819)	(564,129)
Property costs	(13,636)	(81,837)	(153,794)	-	(249,267)
Advertising and promotion	(22,726)	(3,010)	(7,180)	(9,190)	(42,106)
Other expenses	(224,352)	(235,872)	(327,835)	(206,743)	(994,802)
Depreciation and amortisation expense	(29,097)	(11,563)	(27,471)	(604,342)	(672,473)
Profit/(Loss) before income tax benefit	476,626	317,924	469,942	(2,209,940)	(945,448)
Income tax benefit	-	-	(25,765)	659,402	633,637
Loss after income tax benefit					(311,811)
Assets					
Segment assets	2,854,374	9,213,706	3,979,470	2,014,773	18,062,323
Total assets					18,062,323
Liabilities					
Segment liabilities	3,194,560	5,200,528	576,032	2,356,171	11,327,291
Total liabilities					11,327,291

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
	\$	\$	\$	\$	\$
Consolidated - 2017					
Revenue					
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
Total revenue	<u>12,124,701</u>	<u>5,347,456</u>	<u>2,447,719</u>	<u>180,718</u>	<u>20,100,594</u>
Cost of sales	(10,103,714)	(2,944,441)	(224,094)	-	(13,272,249)
Salaries and wages	(928,696)	(611,425)	(1,299,160)	(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)	(132,098)	-	(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)	(942,839)	(194,719)	(72,191)	(1,246,502)
Profit/(loss) before income tax benefit	<u>401,810</u>	<u>(138,032)</u>	<u>334,741</u>	<u>(1,591,791)</u>	<u>(993,272)</u>
Income tax benefit					137,137
Loss after income tax benefit					<u>(856,135)</u>
Assets					
Segment assets	3,417,469	12,676,869	4,484,909	1,262,351	21,841,598
Total assets					<u>21,841,598</u>
Liabilities					
Segment liabilities	3,567,276	8,983,280	351,203	1,666,233	14,567,992
Total liabilities					<u>14,567,992</u>

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

Note 5. Revenue

	Consolidated	
	2018	2017
	\$	\$
Revenue		
Print services	10,448,643	11,731,769
Property sales	1,505,397	4,718,723
Professional services	2,287,015	2,393,234
Other	39,502	-
	<u>14,280,557</u>	<u>18,843,726</u>

Note 6. Other income

	Consolidated	
	2018	2017
	\$	\$
Other income		
Interest received	226,219	213,437
Gain on bargain purchase	-	35,098
Loss on disposal	(8,018)	-
Disbursement recovery	237,171	323,103
Fair value gains	259,321	254,253
Insurance claim income (see Note 7)	-	324,655
Other	63,139	106,322
	<u>777,832</u>	<u>1,256,868</u>

Note 7. Expenses

	Consolidated	
	2018	2017
	\$	\$
Profit/(loss) before income tax includes the following specific expenses:		
<i>Cost of sales</i>		
Cost of sales	<u>8,689,752</u>	<u>13,272,829</u>
<i>Depreciation</i>		
Amortisation	531,205	1,172,226
Depreciation	<u>141,268</u>	<u>74,276</u>
Total depreciation and amortisation	<u>672,473</u>	<u>1,246,502</u>
<i>Other</i>		
Superannuation expense	250,790	271,696
Doubtful debt expense	231,767	355,243
Insurance claim expense (see Note 6)	<u>149,155</u>	<u>-</u>
Total other expenses	<u>631,712</u>	<u>626,939</u>

Note 8. Income tax benefit

	Consolidated	
	2018	2017
	\$	\$
<i>Numerical reconciliation of income tax benefit and tax at the statutory rate</i>		
Profit/(loss) before income tax benefit	(945,448)	(993,272)
Tax at the statutory tax rate of 30%	(259,998)	(297,982)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Amortisation of intangibles	121,855	334,902
Legal expenses	41,025	73,098
Other non-deductible amounts	(5,556)	8,999
Future income tax benefits on tax losses brought to account (previously unrecognised tax losses)	(529,366)	(508,154)
Amortisation of software	24,283	-
Non-assessable income	(85,806)	-
Non-deductible interest	152,075	147,900
Non-deductible real estate commission revaluation	-	95,714
Non-deductible loss on disposal	-	21,819
Non-deductible revaluation of property	-	62,843
Derecognition of deferred tax on deconsolidated entity	(82,030)	-
Movement in tax rate	61,194	-
Increase in market value not assessable	(71,313)	(76,276)
Income tax benefit	(633,637)	(137,137)
Deferred tax movement	(660,620)	(76,877)
Income tax underprovision / (overprovision)	26,983	(60,260)
Income tax benefit	(633,637)	(137,137)

Note 9. Current assets - cash and cash equivalents

	Consolidated	
	2018	2017
	\$	\$
Cash at bank	1,077,044	581,075

Note 10. Current assets - trade and other receivables

	Consolidated	
	2018	2017
	\$	\$
Trade receivables	2,825,607	5,883,713
Less: allowance for doubtful debts	(150,000)	(355,243)
Real estate commissions receivable	221,365	362,388
	<u>2,896,972</u>	<u>5,890,858</u>
Insurance income receivable	-	324,655
Prepayments	27,851	45,251
Sundry debtors	-	26,793
Accrued income	402,498	195,101
	<u>430,349</u>	<u>267,145</u>
Loan receivable from completed property development	-	1,700,000
Short term loan advances (see (b) below)	508,760	-
	<u>3,836,081</u>	<u>8,182,658</u>

Impairment of receivables

The Group had previously recognised a provision for \$355,243 in FY17 in respect of impairment of receivables for the year ended 31 March 2017, against one specific Horizon customer that entered into administration in March 2017. Horizon specifically insures its receivables, and a claim had been submitted for \$324,655 (being the net balance allowing for costs) with Horizon's insurer. Whilst initial legal advice and expectations suggested that the Group would be successful in the recovery of the \$324,655 claimed, due to complications with the insurance policy itself, a settlement was reached with the insurer for a total of \$175,500 which was paid to the Group in December 2017. The balance of \$149,155 was written off.

The Group also recognised a provision of \$150,000 in FY18 (FY17: \$nil) in respect of impairment of receivables against an invoice that has been outstanding for over 12 months, relating to profit shares in a property project located at Rushcutters Bay. The project had been managed by Fiducia, which was owed \$384,154 as at 31 March 2017. Due to the costs incurred to date to recover this receivable and additional costs expected to be incurred to reach a resolution, the receivable amount has been impaired.

a) The ageing of receivables past due but not impaired are as follows:

	Consolidated	
	2018	2017
	\$	\$
0 to 3 months overdue but not impaired	1,890,344	1,784,320
3 to 6 months overdue but not impaired	338,862	116,377
	<u>2,229,206</u>	<u>1,900,697</u>

b) Vertua has extended short term loan advances to FPG No. 2 Pty Ltd, FPG No. 5 Pty Ltd, representing bridge financing for underlying developments. Full settlement is expected within 6 to 9 months. Vertua has also provided mezz funding for the Northbridge project. Full settlement is expected within the next financial year.

Note 11. Current assets - inventories and work in progress

	Consolidated	
	2018	2017
	\$	\$
Work in progress – print services	46,896	95,403
Work in progress – property stock	-	2,348,518
	<u>46,896</u>	<u>2,443,921</u>
Total inventories and work in progress	<u>46,896</u>	<u>2,443,921</u>

Properties held for redevelopment are inventory and represented by work-in-progress. At 31 March 2018 the Group was not undertaking any developments as the underlying principle.

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

Note 12. Current assets - financial assets

	Consolidated	
	2018	2017
	\$	\$
Financial assets: Interests in residential development entities held at fair value	<u>1,819,674</u>	<u>1,669,301</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.

The value of uncalled capital commitments as at 31 March 2018 is \$560,478 (2017: \$397,751).

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

	Consolidated	
	2018	2017
	\$	\$
Commissions receivable	<u>401,324</u>	<u>381,866</u>

The trail commission receivable represents the fair value assessment of future income streams arising from the mortgage book assembled by the professional services component of the Group.

The commission rates received over the mortgage period of up to 30 years, varies between 0.165% to 0.50% depending on the broker utilised. The assumptions employed in determining the fair value include:

- 20% diminution rate due to mortgage refinancing, loan transfer, mortgage default and sale of underlying property;
- trail commission rates remaining locked for the duration of the related mortgage entered into;
- total mortgage portfolio as at 31 March 2018 of approximately \$217mil; and
- average component WACC of 14.75%.

The current component is determined based on the annualised trail commission receipts arising from the assumptions outlined above.

See Note 18 for details of the non-current component of the commission receivable at 31 March 2018.

Note 14. Non-current assets - receivables

	Consolidated	
	2018	2017
	\$	\$
<i>Receivables</i>		
Security deposits	115,190	-
Other receivables	-	26,500
<i>Related party loans</i>		
Lily Bordeaux Pty Limited	949,960	-
	<u>1,065,150</u>	<u>26,500</u>

Lily Bordeaux Pty Ltd is a related party entity to Benjamin Doyle. The loan represents an advance on future performance bonuses, based on divisional performance covering a three-year period, ending during FY19. The arrangements will be reviewed after the end of FY19 to assess the magnitude of the performance bonuses earned. Upon finalisation of this assessment, any qualifying components will be recognised as performance bonus expenditure, while any unearned component will be refundable to the Group.

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

Property, plant and equipment

	Consolidated	
	2018	2017
	\$	\$
Buildings - at valuation	-	2,148,068
Fixtures and fittings - at cost	432,873	268,564
Less: Accumulated depreciation	(72,212)	(33,834)
	<u>360,661</u>	<u>234,730</u>
Computer equipment - at cost	71,765	61,064
Less: Accumulated depreciation	(65,271)	(40,880)
	<u>6,044</u>	<u>20,184</u>
Office equipment - at cost	60,494	53,735
Less: Accumulated depreciation	(38,611)	(17,598)
	<u>21,883</u>	<u>36,137</u>
Motor vehicle - at cost	40,576	-
Less: Accumulated depreciation	(3,335)	-
	<u>37,241</u>	<u>-</u>
	<u>425,829</u>	<u>2,439,119</u>

Vertua Limited
Notes to the financial statements
31 March 2018

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	Motor vehicle	Total
Consolidated	\$	\$	\$	\$	\$	\$
Balance at 1 April 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	8,119	-	177,678
Disposals	-	-	-	(21,135)	-	(21,135)
Revaluation increments (see Note 28)	445,504	-	-	-	-	445,504
Depreciation expense	-	(38,273)	(29,400)	(6,603)	-	(74,276)
Balance at 31 March 2017	2,148,068	234,730	20,184	36,137	-	2,439,119
Depreciation expense	(53,701)	(38,378)	(24,841)	(21,013)	(3,335)	(141,268)
Revaluation increments	633,047	-	-	-	-	633,047
Transfers to asset held for sale (see below)	(2,727,414)	-	-	-	-	(2,727,414)
Additions	-	164,309	10,701	6,759	40,576	222,345
Disposals	-	-	-	-	-	-
Balance at 31 March 2018	-	360,661	6,044	21,883	37,241	425,829

Investment property

	Consolidated	
	2018	2017
	\$	\$
Current		
Investment property	1,139,253	-
Non-current		
Investment property	-	879,932

Reconciliations

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

Consolidated	Total \$
Balance at 1 April 2016	-
Transfer from owner-occupied property	697,436
Gain in fair value through profit or loss	182,496
Balance at 31 March 2017	879,932
Gain in fair value through profit or loss	259,321
Balance at 31 March 2018	1,139,253

Refer to Note 28 for further details of the transaction and related timelines.

Asset held for sale

	Consolidated	
	2018	2017
	\$	\$
Current		
Asset held for sale	<u>2,727,414</u>	<u>-</u>

Reconciliations

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

Consolidated	Total
	\$
Balance at 1 April 2016	<u>-</u>
Balance at 31 March 2017	<u>-</u>
Transfer from owner-occupied property	<u>2,727,414</u>
Balance at 31 March 2018	<u><u>2,727,414</u></u>

Refer to Note 28 for further details of the transaction and related timelines.

Note 16. Non-current assets - intangibles

	Consolidated	
	2018	2017
	\$	\$
Goodwill	<u>2,039,280</u>	<u>1,970,263</u>
Contractual rights	1,683,068	1,683,068
Less: Accumulated amortisation	<u>(1,602,619)</u>	<u>(1,361,275)</u>
	80,449	321,793
Customer relationships	1,592,977	1,592,977
Less: Accumulated amortisation	<u>(413,530)</u>	<u>(214,413)</u>
	<u>1,179,447</u>	<u>1,378,564</u>
Software - at cost	116,956	195,810
Less: Accumulated amortisation	<u>(20,802)</u>	<u>(60,652)</u>
	96,154	135,158
Trademarks – at cost	<u>2,640</u>	<u>-</u>
	<u><u>3,397,970</u></u>	<u><u>3,805,778</u></u>

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

	Goodwill	Contractual rights	Customer relationships	Software	Trademarks	Total
Consolidated	\$	\$	\$	\$	\$	\$
Balance at 1 April 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	1,970,263	321,793	1,378,564	135,158	-	3,805,778
Additions	69,017	-	-	51,740	2,640	123,397
Reversals	-	-	-	-	-	-
Write-back of amortisation expense	-	-	-	-	-	-
Amortisation expense	-	(241,344)	(199,117)	(90,744)	-	(531,205)
Balance at 31 March 2018	<u>2,039,280</u>	<u>80,449</u>	<u>1,179,447</u>	<u>96,154</u>	<u>2,640</u>	<u>3,397,970</u>

The Group's intangible assets by operating segment are:

	Printing	Property	Professional Services	Other	Total
	\$	\$	\$	\$	\$
Goodwill	1,004,183	-	1,035,097	-	2,039,280
Contractual rights	-	80,449	-	-	80,449
Customer relationships	93,751	-	1,085,696	-	1,179,447
Software	-	-	-	96,154	96,154
Trademarks	-	-	-	2,640	2,640
	<u>1,097,934</u>	<u>80,449</u>	<u>2,120,793</u>	<u>98,794</u>	<u>3,397,970</u>

- a) The intangible assets relating to goodwill, contractual rights and customer relationships arise from the three acquisitions concluded in the financial year ended 31 March 2016. Further goodwill of \$69,017 was acquired in FY18 through the acquisition of Defender Asset Management Pty Ltd (see Note 38). The fair value recorded on the balance sheet as at 31 March 2018 totaling \$3,390,970 reflects the Director's view on the fair value 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 or 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 3 months.

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 \$1,004,183, 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 2020. 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 3%. Horizon Print Management has experienced revenue decline from \$12.1m in 2017 to \$10.5m in 2018, however, the gross profit has increased from 16.7% in 2017 to 17.4% 2018. 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 2020 onward revenue forecasts): 3%
- Discount rate: 12%

The financial year ended 31 March 2018 is the second full year of the Locumsgroup being a part of the Vertua Group, and the Locumsgroup is tracking largely in line with expectations. Revenue in FY18 was down approx. 9.27%, however net profit was up approx. 7.12% mainly due to a reduction in overall expenses. While the Locumsgroup is down on budget for FY18, management acknowledges that this is largely a result of disruptions to the business caused by significant staff changes, an office relocation and the migration of data and processes into the Group wide accounting enterprise system. This migration is expected to yield more efficiencies and insights into the business moving forward. The Goodwill acquired on the acquisition of the Locumsgroup, amounting to \$966,080, has been assessed for impairment by management. Based on the abovementioned factors, management have forecast annual revenue growth to increase over the next two years by a conservative 2% p.a., and do not believe there is a requirement for an impairment charge in the year.

Note 17. Non-current assets - deferred tax

	Consolidated	
	2018	2017
	\$	\$
<i>Deferred tax asset comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Tax losses recognised	1,762,546	1,410,000
Tax losses utilised	(445,587)	(694,162)
Employee benefits	67,324	57,474
Accrued expenses	39,836	106,573
Revenue received in advance	4,127	820
Accounts payable	-	-
Accounts receivable	(20,401)	(28,267)
Deductible capitalised expenses	(12,896)	(28,621)
Accounting revenue on sale of properties in advance of settlement	-	(89,488)
Deferred tax asset	<u>1,394,949</u>	<u>734,329</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.

The Group obtained specific advice from a specialist tax lawyer and consulted with senior counsel, based upon which it places reliance in applying 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.

During FY18, the Group obtained a private tax ruling from the ATO outlining that they were eligible to utilise carry-forward tax losses arising from financial years ending 30 June 2006 and beyond.

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

	Consolidated	
	2018	2017
	\$	\$
Commissions receivable	730,739	697,119

Refer to Note 13 for further details.

Note 19. Current liabilities - trade and other payables

	Consolidated	
	2018	2017
	\$	\$
Trade payables	1,306,749	1,482,530
Finance lease liabilities	124,598	73,929
BAS payable	193,386	371,636
Other payables	178,536	1,267,785
	1,803,269	3,195,880

The finance lease liabilities are in relation to the purchase of the Groups' accounting software, the Group's office fit out and the purchase of a motor vehicle.

The current portion of the combined lease liabilities equates to 12 monthly payments of \$10,383. The non-current portion of the lease liabilities is disclosed in Note 23.

Note 20. Current liabilities - income tax

	Consolidated	
	2018	2017
	\$	\$
Provision for income tax	-	-

Note 21. Current liabilities - provisions

	Consolidated	
	2018	2017
	\$	\$
Annual leave	94,319	80,206
Long service leave	95,787	72,061
	190,106	152,267

Note 22. Current liabilities - other current liabilities

	Consolidated	
	2018	2017
	\$	\$
Loan: Wexford Family Trust	401,652	20,912
Loan: Ex-Pat Capital Pty Ltd	-	53,695
Loan: Esplanade Super Pty Ltd (see Note 24)	278,771	-
Loan: Holical Pty Ltd (see Note 24)	293,103	-
Loan: Woodville Super Pty Ltd (see Note 24)	293,103	-
	<u>1,266,629</u>	<u>74,607</u>

The Wexford Family Trust loan balance includes a profit distribution amounting to \$309,387 relating to the financial performance of the Locumsgroup of companies for the period ended 31 March 2017. The distribution relates to the Locumsgroup's non-controlling Interest Group finalisation of the profit share arrangements applicable to the acquisition of Locumsgroup in February 2016.

Note 23. Non-current liabilities - payables

	Consolidated	
	2018	2017
	\$	\$
Finance lease liabilities	<u>104,841</u>	<u>63,174</u>

The finance lease liabilities are in relation to the purchase of the Groups' accounting software, the Group's office fit out and the purchase of a motor vehicle. The current portion of the lease liabilities is disclosed in Note 19.

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

	Consolidated	
	2018	2017
	\$	\$
Manning Capital Pty Ltd	-	2,453,351
Manning Capital Holdings Pty Ltd	4,718,745	2,442,599
Esplanade Super Pty Ltd	-	278,809
Holical Pty Ltd	-	278,809
Woodville Super Pty Ltd	-	278,809
Convertible note instrument	1,893,701	1,340,701
	<u>6,612,446</u>	<u>7,073,078</u>

Refer to Note 31 for further information on financial instruments.

A loan from Manning Group Pty Ltd had been extended 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 Pty Ltd on comparable terms. Manning Capital Holdings Pty Ltd is considered a related party.

The loan from Manning Capital Pty Ltd had 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. These loans were repaid in full in FY18. Manning Capital Pty Ltd is considered a related party.

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The loans from Esplanade Super Pty Ltd, Holical Pty Ltd, and Woodville Super Pty Ltd were used to purchase 80% of the net assets of CFL Property Pty Ltd during the FY16. Whilst these loans are noted on the balance sheet as at 31 March 2018, they were converted to shares in April 2018. As such, these loans have been classified as current as at 31 March 2018 – see Note 22. 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 determined on the date of acquisition with an opening FY18 balance of \$1,340,701. An interest component in FY18 of \$553,000 has been recognised. 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:

	Consolidated	
	2018	2017
	\$	\$
Manning Capital Holdings Pty Ltd	4,718,745	2,442,599
Manning Capital Pty Ltd	-	2,453,351
Esplanade Super Pty Ltd	278,771	278,809
Holical Pty Ltd	293,103	278,809
Woodville Super Pty Ltd	293,103	278,809
	<u>5,583,722</u>	<u>5,732,377</u>

Assets pledged as security

The NAB loan is secured by a first mortgage over the Group's property at Level 5 97 Pacific Highway, North Sydney only.

The loans from Holical Pty Ltd, Esplanade Super Pty Ltd, Woodville Super Pty Ltd and Manning Capital Holdings Pty Ltd have a General Security Deed over the assets of Vertua Limited and Vertua Investments Limited (with the exception of the property held at Level 5 97 Pacific Highway, North Sydney). Manning Capital Holdings Pty Ltd has a priority claim, followed by equal claims from Holical Pty Ltd, Esplanade Super Pty Ltd and Woodville Super Pty Ltd.

Refer to Note 40 for details around the conversion of loans subsequent to 31 March 2018.

Note 25. Financial liabilities

	Consolidated	
	2018	2017
	\$	\$
Current		
NAB loan - property development	-	2,708,986
Non-current		
NAB loan - property investment	1,350,000	1,300,000

Note 26. Equity - issued capital

	Consolidated			
	2018	2017	2018	2017
	Shares	Shares	\$	\$
Class A shares - fully paid	11,902,821	10,475,548	4,917,116	4,746,557

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Movements in issued capital

Details	Date	Shares	\$
Balance	1 April 2017	10,475,548	4,746,557
Issue of shares	1 October 2017	50,000	3,500
Issue of shares	1 October 2017	250,000	17,500
Issue of shares	1 November 2017	227,273	15,909
Issue of shares	13 March 2018	900,000	133,650
Balance	31 March 2018	<u>11,902,821</u>	<u>4,917,116</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.

Refer to Note 40 for details of movements in shares subsequent to 31 March 2018.

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 2017 Annual Report.

Note 26. Equity - issued capital (continued)

Note 27. Equity - convertible notes

	Consolidated	
	2018	2017
	\$	\$
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.

Note 28. Equity - reserves

	Consolidated	
	2018	2017
	\$	\$
Revaluation reserve	<u>1,078,551</u>	<u>445,504</u>

Reconciliation of the values at the beginning and end of the current financial year is set out below:

	Total
	\$
Balance at 1 April 2017	445,504
Transfer from owner-occupied property	633,047
Balance at 31 March 2018	<u>1,078,551</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 or 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 the square metre market rate attainable in the property's vicinity. 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 or loss with the balance of \$445,504 being recorded in the revaluation reserve.

As at 31 March 2018, an offer has been received from a third-party developer, and accepted, to purchase the entire building at 97 Pacific Highway North Sydney, with tenants being paid on a sqm rate. It is highly probable that the building will be sold within the next 12 months.

Taking a conservative approach to the sale price offered, a fair value uplift was recorded in FY18 totalling \$892,368, whereby \$633,047 was recorded in the revaluation reserve to account for the fair value uplift portion attributed to the owner-occupied portion of the property, and \$259,321 was recorded as fair value gains in the profit or loss attributed to the portion of the property held for investment.

The owner-occupied portion of the property subsequent to depreciation and fair value uplift was transferred to 'asset held for sale' – see Note 15 for further details.

Note 29. Equity - non-controlling interest

The non-controlling interest relates to 50% shareholding in the Locumsgroup. The FPG 1 Unit Trust was deconsolidated from the Group balance sheet as at 30 September 2017. The Locumsgroup NCI component only participates in associated profits after predetermined profit hurdles are met.

	Consolidated	
	2018	2017
	\$	\$
Non-controlling interest	<u>1,530,711</u>	<u>2,251,693</u>

Note 29. Equity - non-controlling interest (continued)

	Consolidated	
	2018	2017
	\$	\$
Non-controlling interest - Locumsgroup	1,530,711	1,530,656
Non-controlling interest - FPG No. 1 Unit Trust	-	700,000
Profit attributable to non-controlling interest	-	21,037
	<u>1,530,711</u>	<u>2,251,693</u>

The financial information attributable to the non-controlling interest in the Group is detailed below:

Total assets: \$3,979,470 (2017: \$9,791,207)

Total liabilities: \$576,032 (2017: \$4,169,573)

Profit for the period: \$nil (2017: \$21,037)

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) is responsible for 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'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 \$1,819,674 (2017: \$1,669,301), are units held in financial assets. An increase/decrease in price of 500 (2017: 500) basis points would have a favourable/(unfavourable) effect on profit before tax of \$90,984/\$(90,984) (2017: \$83,465/\$(83,465)). The percentage change is based on the expected volatility of price movements using market data and analyst forecasts.

Investments in units are identified by development opportunities and estimated key metrics of developments. The Group looks to invest in developments that have an estimated IRR of over 30% for the life of the project, thereby managing their risk exposure.

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.

Risk is managed using a combination of tools, being a split between fixed and floating rates (a portion of the debt is fixed with the balance being variable) and also applying aggressive debt repayment plans to minimise exposure.

At 31 March 2018 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:

	2018		2017	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Consolidated				
Cash and cash equivalents	1.75%	1,077,044	1.75%	581,075
Related party payables	9.88%	(4,633,762)	6.62%	(5,732,377)
Convertible note	-	(1,893,701)	-	(1,340,701)
NAB loan	5.47%	(1,350,000)	4.88%	(4,008,986)
Net exposure to cash flow interest rate risk		<u>(6,800,419)</u>		<u>(10,500,989)</u>

For the Group the cash and cash equivalents on hand, totalling \$1,077,044 (2017: \$581,075), are deposits held at call with financial institutions. An official increase/decrease in interest rates of 100 (2017: 100) basis points would have a favorable/(unfavorable) effect on profit before tax of \$10,770/\$(10,770) (2017: \$5,811/\$(5,811)). The percentage change is based on the expected volatility of interest rates using market data and analyst forecasts.

For the Group the bank loans outstanding, totalling \$1,350,000 (2017: \$4,008,986), are principal and interest payment loans. Monthly cash outlays of approximately \$5,887 (2017: \$13,685) per month are required to service the interest payments. An official increase/decrease in interest rates of 100 (2017: 100) basis points would have an (adverse)/favorable effect on profit before tax of \$13,500/\$(13,500) (2017: \$40,090/\$(40,090) per annum. The percentage change is based on the expected volatility of interest rates using market data and analyst forecasts.

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.

Credit risk on property related receivables is managed by only transferring title on settlement of property.

The maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at year end as, summarised below:

Note 31. Financial instruments (continued)

	Consolidated	
	2018	2017
	\$	\$
Classes of financial assets - carrying amounts		
Cash and cash equivalents	1,077,044	581,075
Accounts receivable	2,896,972	5,890,858
Loan: Special Purpose Vehicle for property development	-	1,700,000
Financial assets	1,819,674	1,669,301
Total	5,793,690	9,841,234

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. Whilst all of the Horizon accounts receivable were insured in FY17, due to the Ortega claim, the debtors in FY18 were not insured. Horizon has taken out credit insurance for the FY19 year, 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 2018. The financial assets are managed by the Locumsgroup and Vertua respectively. Management regularly review the investments for impairment, and as at 31 March 2018 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 Manning Capital Holdings Pty Ltd to assist with any difficulties that the Group may encounter.

Note 31. Financial instruments (continued)

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 \$
Consolidated - 2018						
<i>Financial assets - cash flows realisable</i>						
Cash and cash equivalents	1.75%	1,077,044	-	-	-	1,077,044
Trade receivables	-	2,896,972	-	-	-	2,896,972
Financial assets	-	1,819,674	-	-	-	1,819,674
		<u>5,793,690</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,793,690</u>
<i>Financial liabilities - due for payment</i>						
Trade payables	-	(1,306,749)	-	-	-	(1,306,749)
Related party payables	9.88%	(4,633,762)	-	-	-	(4,633,762)
Convertible note	-	-	-	(1,893,701)	-	(1,893,701)
NAB loans	5.47%	-	-	(1,350,000)	-	(1,350,000)
Total non-derivatives		<u>(5,940,511)</u>	<u>-</u>	<u>(3,243,701)</u>	<u>-</u>	<u>(9,184,212)</u>
Consolidated - 2017						
<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%	(5,732,377)	-	-	-	(5,732,377)
Convertible note	-	-	-	(1,340,701)	-	(1,340,701)
NAB loans	4.88%	-	-	(4,008,986)	-	(4,008,986)
Total non-derivatives		<u>(7,214,907)</u>	<u>-</u>	<u>(5,349,687)</u>	<u>-</u>	<u>(12,564,594)</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 \$
Consolidated - 2018				
<i>Assets</i>				
Financial assets (see Note 12)	-	-	1,819,674	1,819,674
Asset held for sale at fair value (see Notes 15 & 28)	-	-	2,727,414	2,727,414
Investment property at fair value (see Notes 15 & 28)	-	-	1,139,253	1,139,253
Total assets	-	-	5,686,341	5,686,341
<i>Liabilities</i>				
Secured liabilities (see Note 24)	-	-	5,583,722	5,583,722
Total liabilities	-	-	5,583,722	5,583,722
Consolidated - 2017				
<i>Assets</i>				
Financial assets (see Note 12)	-	-	1,669,301	1,669,301
Owner-occupied property at fair value (see Notes 15 & 28)	-	-	2,148,068	2,148,068
Investment property at fair value (see Notes 15 & 28)	-	-	879,932	879,932
Total assets	-	-	4,697,301	4,697,301
<i>Liabilities</i>				
Secured liabilities (see Note 24)	-	-	5,732,377	5,732,377
Total liabilities	-	-	5,732,377	5,732,377

There were no transfers between levels during the financial year.

Level 3 assets and liabilities

Movements in level 3 assets and liabilities during the current and previous financial year are set out below:

Note 32. Fair value measurement (continued)

	Financial assets	Investment properties	Owner- occupied property	Asset held for sale	Total
Consolidated - 2018	\$	\$	\$	\$	\$
Balance as at 1 April 2016	3,368,959	-	2,072,072	-	5,441,031
Transfers	-	697,436	(697,436)	-	-
Fair value gains	71,757	182,496	-	-	254,253
Revaluation increments	-	-	445,504	-	445,504
Additions	541,333	-	327,928	-	869,261
Disposals	(2,312,748)	-	-	-	(2,312,748)
Balance as at 31 March 2017	1,669,301	879,932	2,148,068	-	4,697,301
Depreciation expense	-	-	(53,701)	-	(53,701)
Transfers	-	-	(2,727,414)	2,727,414	-
Fair value gains	-	259,321	-	-	259,321
Revaluation increments	-	-	633,047	-	633,047
Additions	150,373	-	-	-	150,373
Disposals	-	-	-	-	-
Balance as at 31 March 2018	1,819,674	1,139,253	-	2,727,414	5,686,341

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 Bregenhoj
Benjamin Doyle
James Manning

Note 33. Key management personnel disclosures (continued)

Compensation

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

	Consolidated	
	2018	2017
	\$	\$
Short-term employee benefits	526,212	539,948
Post-employment benefits	22,083	22,083
Long-term benefits	4,197	8,568
	<u>552,492</u>	<u>570,599</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 2018 and the year ended 31 March 2017.

Note 34. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by William Buck the auditor of the Company:

	Consolidated	
	2018	2017
	\$	\$
<i>Audit services</i>		
Audit or review of the financial statements	<u>162,600</u>	<u>169,300</u>
<i>Other services</i>		
Accounting assistance	-	3,750
Corporate advisory	6,400	4,050
Preparation of the tax return & tax advice	67,100	35,150
	<u>236,100</u>	<u>168,850</u>

Note 35. Commitments

The future minimum operating lease payments are detailed below.

The current lease agreement held by the Locumsgroup was entered into in November 2017 for a duration of 5 years with no option to renew.

	Consolidated	
	2018	2017
	\$	\$
<i>Lease commitments – operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	170,327	94,184
One to five years	667,288	-
	<u>837,615</u>	<u>94,184</u>

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.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2018	2017
	\$	\$
Management and administration fees:		
First Equity Tax Pty Ltd	90,000	292,804
Manning Property Development Pty Ltd	-	60,000
Fiducia Estate Agents Pty Ltd	-	12,000
First Equity Partners Pty Ltd	30,000	19,500
Ben Doyle	12,000	-
Defender Investment Management	161,764	-
Interest payments:		
Manning Group Pty Ltd	-	282,747
Woodville Super Pty Ltd	14,294	13,597
Manning Capital Pty Ltd	256,013	53,351
Manning Capital Holdings Pty Ltd	448,046	12,599
Esplanade Super Pty Ltd	13,559	13,597
Holicarl Pty Ltd	14,294	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.

Note 36. Related party transactions (continued)

Loans to and from related parties

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

There was a related party receivable of \$949,960 from Lily Bordeaux Pty Ltd as at 31 March 2018. No related party receivable was noted as at 31 March 2017.

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

	Consolidated	
	2018	2017
	\$	\$
Loan from Manning Capital Pty Ltd	-	2,453,351
Loan from Manning Capital Holdings Pty Ltd	4,718,745	2,442,599
Loan from Esplanade Super Pty Ltd*	278,771	278,809
Loan from Holicarl Pty Ltd*	293,103	278,809
Loan from Woodville Super Pty Ltd*	293,103	278,809
Loan to Lily Bordeaux Pty Ltd	(949,960)	-

*These loans were settled in April 2018. Refer to Note 40 for further details.

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

	Parent	
	2018	2017
	\$	\$
Profit after income tax	758,178	447,336
Total comprehensive income	758,178	447,336

Note 37. Parent entity information (continued)

Statement of financial position

	Parent	
	2018	2017
	\$	\$
Total current assets	8,246,374	9,421,163
Total assets	18,059,939	15,898,696
Total current liabilities	467,143	410,593
Total liabilities	9,383,130	8,783,671
Equity		
Issued capital	4,988,752	4,818,193
Convertible notes	3,265,420	3,265,420
Revaluation reserve	1,078,553	445,504
Accumulated losses	(655,916)	(1,414,092)
Total equity	8,676,809	7,115,025

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

The parent entity has not provided any guarantees as at 31 March 2018, except for a \$915,000 loan between one of its subsidiaries and National Australia Bank.

Contingent liabilities

The parent entity had no contingent liabilities as at 31 March 2018 or 31 March 2017.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 31 March 2018 or 31 March 2017.

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

Deconsolidation of FPG No. 1 Pty Ltd

Effective 30 September 2017, the Group finalised the full disposal of its entire unit holding in FPG No.1 Unit Trust and interest in FPG No.1 Pty Ltd (the related trustee), and consequently its interest in 144 Fullers Road Pty Ltd. The units were redeemed at their cost base being \$1 per unit.

Accordingly, the Group has deconsolidated the underlying entity from the group, with the redemption value being recognised as part of trade receivables being an amount of \$780,000. Financial settlement of the sale occurred on 5 December 2017.

At the time of disposal, FPG No.1 Unit Trust's asset and liabilities were recognised as:

	Fair value
	\$
Cash and cash equivalents	11,571
Trade receivables	2,952,390
Other receivables	45,950
Inventories and work in progress	2,348,518
Trade payables	(193,004)
Other payables	(3,520,332)
	<hr/>
Net assets attributable to unit holders	1,645,093
	<hr/>
Net value attributable to Vertua Limited unit holding	792,547
Proceeds generated from redemption of unit holding	780,000
	<hr/>
Loss on sale	12,547
	<hr/>

Acquisition of Defender Asset Management

On 1 October 2017, Vertua Limited acquired 100% of the ordinary shares of Defender Asset Management Pty Ltd ('Defender'). The consideration on acquisition is comprised of a split between cash, acquired debt and ordinary shares issued in Vertua Limited.

The acquired business contributed revenue of \$10,250 to the Group for the period to 31 March 2018. Full year contribution would have been revenues of \$20,500. The values identified in relation to the acquisition of Defender Asset Management Pty Ltd are as follows:

At the time of acquisition, Defender's asset and liabilities were recognised as

	Fair value
	\$
Cash and cash equivalents	55,697
Trade receivables	2,929
GST receivable	1,292
	<hr/>
Net assets attributable to unit holders	59,918
	<hr/>

Consideration paid

Cash	36,435
Shares in Vertua Limited	17,500
Recognition of loan from Manning Capital Holdings Pty Ltd	75,000
	<hr/>
	128,935
	<hr/>
Net goodwill on acquisition	69,017
	<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	
		2018 %	2017 %
Corporate			
Vertua Investments Limited	Australia	100.00%	100.00%
Vertua Nominees Pty Ltd	Australia	100.00%	100.00%
Defender Asset Management Pty Ltd	Australia	100.00%	0.00%
Vertua Opportunities Pty Ltd	Australia	100.00%	100.00%
Print Segment			
Horizon Print Management Pty Ltd	Australia	100.00%	100.00%
Horizon Print Media Pty Ltd	Australia	100.00%	0.00%
Professional Services Segment			
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%
Property Segment			
RB Partners Pty Ltd	Australia	0.00%	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%
Fiducia Project Management Trust	Australia	100.00%	0.00%
FPG No. 1 Pty Ltd	Australia	0.00%	50.00%
144 Fullers Road Pty Ltd	Australia	0.00%	100.00%
FPG No. 2 Pty Ltd	Australia	100.00%	100.00%
FPG No. 3 Pty Ltd	Australia	100.00%	100.00%
FPG No. 4 Pty Ltd	Australia	100.00%	100.00%
FPG No. 5 Pty Ltd	Australia	100.00%	100.00%
Great Superintendent Pty Ltd	Australia	100.00%	100.00%

Note 40. Events after the reporting period

In April 2018, the Group converted a number of options, convertible notes and issued additional shares for a monetary consideration:

- 4,050,000 shares were issued on the conversion of options, reducing the Group's liabilities by \$810,000. The loans converted relate to related party loans. See Note 36 for details.
- 1,950,000 convertible notes were converted in April 2018 for 1 share per note.
- 1,300,000 shares were issued to a third party for a consideration received of \$260,000.

The net movement in share capital on issue from 31 March 2018 to 30 April 2018 is 7,300,000 additional shares.

No other matter or circumstance has arisen since 31 March 2018 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

	Consolidated	
	2018	2017
	\$	\$
Profit/(loss) after income tax benefit for the year	(311,811)	(856,135)
Adjustments for:		
Depreciation and amortisation	672,474	1,246,503
Deemed interest on convertible note	553,000	493,000
Interest on related party loans	-	443,384
Gain on bargain purchase	-	(35,098)
Change in operating assets and liabilities:		
(Increase)/Decrease in trade and other receivables	944,996	(2,307,072)
(Increase)/Decrease in deferred tax assets	(660,620)	(76,878)
Decrease in prepayments and sundry debtors	(65,997)	91,569
(Increase)/Decrease in inventories and property stock	48,507	(952,810)
Increase /(Decrease) in trade and other payables	(721,674)	(1,108,197)
Increase/(Decrease) in provision for income tax	-	(60,259)
Increase in other provisions	-	-
(Increase)/Decrease in deferred income	141,023	(43,343)
Net cash from/(used in) operating activities	<u>599,898</u>	<u>(3,165,336)</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 Limited) as the numerator.

	Consolidated	
	2018	2017
	\$	\$
Profit/(loss) after income tax	(311,811)	(877,172)
Non-controlling interest	-	21,037
Profit/(loss) after income tax attributable to the Owners of Vertua Limited	<u>(311,811)</u>	<u>(856,135)</u>
	Number	Number
Weighted average number of Class A shares used in calculating basic earnings per share	11,902,821	10,475,548
Adjustments for calculation of diluted earnings per share:		
Potential conversion of convertible notes	40,000,001	40,000,001
Options over ordinary shares	13,150,000	14,050,000

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.

	Cents	Cents
Basic earnings per share	(2.6)	(8.2)
Diluted earnings per share	-	-

Vertua Limited
Directors' declaration
31 March 2018

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 2018 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



Christopher Bregenhøj
Chairman

27 June 2018

Vertua Limited

Independent auditor's report to members

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Vertua Limited (the Company and its subsidiaries (the 'Group')), which comprises the consolidated statement of financial position as at 31 March 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 31 March 2018 and of its financial performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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ASSESSMENT OF THE CARRYING VALUE OF INTANGIBLE ASSETS

Area of focus Refer also to notes 1 and 16	How our audit addressed it
<p>The Group has \$3,397,970 of intangible assets including:</p> <ul style="list-style-type: none"> — Contractual rights amounting to \$80,449 — Customer relationships amounting to \$1,179,447 — Software amounting to \$96,154 — Trademarks amounting to \$2,640 and — Goodwill of \$2,039,280 <p>The carrying values of the identifiable intangible assets are contingent on future cash flows and there is a risk that, if these cash flows do not meet the Group's expectations, the assets might be impaired</p> <p>The recoverable amount of each cash generating unit (CGU) has been calculated based on value-in-use. These recoverable amounts use discounted cash flow forecasts in which the Directors make judgements over certain key inputs, for example but not limited to revenue growth, discount rates applied, long term growth rates and inflation rates.</p> <p>Overall due to the high level of judgement involved, and the significant carrying amounts involved, we have determined that this is a key judgemental area that our audit concentrated on.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> — a detailed evaluation of the groups budgeting procedures (upon which the forecasts are based) — testing the principles and integrity of the discounted future cash flow models. We tested the accuracy of the calculation derived from each forecast model and we assessed key inputs in the calculations such as revenue growth, discount rates and working capital assumptions, by reference to the Board approved forecasts, data external to the group and our own views. — we engaged our own valuation specialists when considering the appropriateness of the discount rates and the long-term growth rates. — we reviewed the historical accuracy by comparing actual results with the original forecasts. <p>We assessed the adequacy of the Group's disclosures in respect of the transactions.</p>

INVESTMENT VALUATION

Area of focus Refer also to notes 1 and 12	How our audit addressed it
<p>The Group's property business makes investments into unlisted property unit trusts, at the higher-end of the market.</p> <p>At 31 March 2018 the investment portfolio owned by the Group amounted to \$1,819,674.</p> <p>The value of the investments is reliant on the stability and growth in value of the property market and is therefore subject to fluctuation.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> — Evaluating the Fair Value calculations prepared by the Group in light of current market conditions; <p>We assessed the adequacy of the Group's disclosures in respect of the investments.</p>

BASIS FOR TAXATION CALCULATIONS	
Area of focus Refer also to notes 1, 8 and 17	How our audit addressed it
<p>During the 2018 financial year, the Group has recouped carried forward tax losses on the basis that the continuity of ownership test was satisfied.</p> <p>There is a level of complexity in the application of these laws to the Group, in particular given the capital transactions that have been undertaken.</p> <p>During the financial year, the Group obtained a private tax ruling that its approach and interpretation of the continuity of ownership rules were appropriate in outlining their eligibility to utilise carry-forward tax losses arising from financial years ending 30 June 2006 and beyond.</p> <p>In preparing the tax position, for reporting purposes, the Group has applied and has recouped tax losses consistent with the advice and private tax ruling received.</p> <p>This basis has a material impact and requires a high level of judgement and expertise.</p> <p>The current basis for accounting for taxation balances is therefore contingent on the advice obtained and application of the private tax ruling.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> - Evaluating the basis of advice obtained; - Evaluating the credentials of management's experts; - Engaging our own taxation experts to assess the validity of the underlying assumptions; <p>We have assessed the adequacy of the Group's disclosures in respect of the basis for the taxation calculations.</p>

Other Information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 March 2018, but does not include the financial report and the auditor's report thereon. Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Group are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 4 to 8 of the directors' report for the year ended 31 March 2018.

In our opinion, the Remuneration Report of Vertua Limited., for the year ended 31 March 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Group are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

A handwritten signature in black ink that reads "William Buck".

William Buck
Chartered Accountants
ABN: 16 021 300 521

A handwritten signature in black ink that reads "Rainer Ahrens".

Rainer Ahrens
Director
Sydney, 27 June 2018

Vertua Limited
Shareholder information
31 March 2018

Vertua Limited has on issue 11,902,821 fully paid Class A shares held by 317 holders as at 31 March 2018. 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	0.13
5,001 to 10,000	123	1,038,125	8.72
10,001 to 100,000	180	3,675,301	30.88
100,001 and over	13	7,174,395	60.27
	<u>319</u>	<u>11,902,821</u>	<u>100.00</u>
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 as at 31 March 2018 are listed below:

Investor name	Total shares	% of issued capital
HOLICARL PTY LTD	1,590,900	13.37
MANNING CAPITAL HOLDINGS PTY LTD	1,525,616	12.82
A C N 623 179 680 PTY LTD	1,150,000	9.66
LILY BORDEAUX PTY LTD	620,451	5.21
CALVERT INVESTMENTS PTY LTD	601,681	5.05
WOODVILLE SUPER PTY LIMITED	430,913	3.62
MR STUART PAGE	277,273	2.33
MR DAVID LEON	261,252	2.19
ESPLANADE SUPER PTY LTD	227,273	1.91
KIZUN PTY LTD	125,400	1.05
BENJAMIN JOHN DOYLE & MARIE CHRISTINA ASHLEY	125,000	1.05
MR IAN CRAWFORD MAXWELL & MRS PHILIPPA JANE MAXWELL	125,000	1.05
WEXFORD SUPER PTY LTD	113,636	0.95
MR WILLIAM LYON	100,000	0.84
PETER SCHAAP & PAULINE SCHAAP	90,000	0.76
MS JOANNE MAREE BAULCH	80,000	0.67
MR CRAIG ALEXANDER GODHAM	72,000	0.60
MR TREVOR JOHN O'SHEA & MRS JOANNE ELSIE O'SHEA	50,000	0.42
C & AC PTY LTD	40,500	0.34
PETER RICHARDS	40,000	0.34
L & J MARTIN PTY LTD	40,000	0.34
FRANCIS STUART ALBRECHT & ANN VIOLET ALBRECHT	40,000	0.34
DAVID OLIVER	37,500	0.32
MR CHRISTOPHER P ELDRIDGE & MRS ANN E ELDRIDGE	37,500	0.32
MR MICHAEL ALAN BROWN	37,500	0.32
	<u>7,839,395</u>	<u>65.86</u>

Vertua Limited
Shareholder information
31 March 2018

The names of the twenty largest security holders of quoted equity securities as at 22 June 2018 are listed below:

Investor name	Total shares	% of issued capital
WOODVILLE SUPER PTY LIMITED	1,780,913	9.33
HOLICARL PTY LTD (SPRING RIDGE TRUST)	1,590,900	8.34
ESPLANADE SUPER FUND PTY LTD	1,577,273	8.27
MR DAVID LEON	1,561,252	8.18
MANNING CAPITAL HOLDINGS PTY LTD	1,525,616	8.00
HOLICARL PTY LTD (HUNTER GRAIN SUPER FUND)	1,350,000	7.07
LILY BORDEAUX PTY LTD	1,270,451	6.66
FRANCIS PACE & DIANNA PACE	1,179,059	6.18
A C N 623 179 680 PTY LTD	1,150,000	6.03
CALVERT INVESTMENTS PTY LTD	601,681	3.15
MR STUART PAGE	277,273	1.45
KIZUN PTY LTD	125,400	0.66
BENJAMIN JOHN DOYLE & MARIE CHRISTINA ASHLEY	125,000	0.66
MR IAN CRAWFORD MAXWELL & MRS PHILIPPA JANE MAXWELL	125,000	0.66
WEXFORD SUPER PTY LTD	113,636	0.60
MR WILLIAM LYON	100,000	0.52
PETER SCHAAP & PAULINE SCHAAP	90,000	0.47
MS JOANNE MAREE BAULCH	80,000	0.42
MR CRAIG ALEXANDER GODHAM	72,000	0.38
MR TREVOR JOHN O'SHEA & MRS JOANNE ELSIE O'SHEA	50,000	0.26
DR T HANSEN & MS Z GREENWOOD	42,050	0.22
	14,787,504	77.51

Vertua Group Options on issue

Investor name	22 June 2018	31 March 2018	31 March 2017
Manning Capital Holdings Pty Ltd	9,100,000	9,100,000	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	-	1,350,000	1,350,000
	9,100,000	13,150,000	14,050,000

Vertua Group Convertible notes on issue

Entity name	22 June 2018	31 March 2018	31 March 2017
Holicarl Pty Ltd	15,468,458	15,468,458	15,468,458
Lily Bordeaux Pty Ltd	5,382,699	6,032,699	6,032,699
Woodville Super Pty Ltd	843,733	843,733	843,733
Manning Custodian Pty Ltd	-	-	-
Manning Capital Holdings Pty Ltd	15,114,953	15,114,953	15,114,953
Wealth Holdings Trustees Ltd	1,240,158	2,540,158	2,540,158
	38,050,001	40,000,001	40,000,001