

Vertua Limited

ACN 108 076 295

Annual Report - 31 March 2020

Vertua Limited
Directors' report
31 March 2020

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 2020.

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 Bregenhøj (Chairman)
Benjamin Doyle
James Manning (Managing Director)

Principal activities

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

- Property development and management services
- Professional services
- Investments

The Group has maintained its operational strategy set namely the operation of three divisions of Vertua Limited. There have been a number of performance updates worth sharing with shareholders as to the specific performance of each division.

Property: The Property division has concluded a major project during the period located in Northbridge NSW. In addition, the Property division has explored a number of new opportunities in line with the internal acquisition metrics to ensure an ongoing pipeline of projects. The residential development market continues to present challenges in the current market, namely the limited economically viable sites to acquire and develop and cautious buyers. We believe that the market generally has 'bottomed out' have seen an upturn in the second half of the year.

Professional Services: During the period, Vertua Limited sold its holdings in Locumsgroup, effective from 1 March 2020. The decision to sell the 50% holdings in Locumsgroup came of the back of consistent under performance since acquisition and synergies expected on acquisition not as effective as originally planned. First Equity Group continues to trade well albeit slightly below budget.

Investments: The Investments division continues to explore new opportunities and has invested in Cosmos Capital Limited – an energy and infrastructure company. The initial investment has already experienced a strong positive revaluation for the period. The equity investment in American Patriot Oil & Gas Limited ('AOW') has recorded a fair value loss for the period in light of its stock being removed from the Australian Stock Exchange. In addition, the Group re-invested in the Vertua Opportunities Fund. The Group maintains its approach around capital management whereby surplus cash is reinvested for an overall return to shareholders, investors and stakeholders.

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 a loss of \$2,199,542 (31 March 2019: profit of \$167,991).

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.

During the period, the Group converted \$3,399,208 in convertible notes to shares at a rate of \$0.15 per share. The Group continues to hold a convertible note in relation to the acquisition of the First Equity Taxation Pty Ltd ('First Equity') business totalling \$720,000. This is likely to be converted during financial year 2021.

Property:

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

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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 is committed to the development of new sites for the Group and provides valuable experience specifically in residential development and property matters.

The Northbridge project (FPG Northbridge Pty Ltd) concluded during the year, with all equity and mezzanine funds having been paid back to the Group during the period. This investment yielded a strong return on investment for the Group. The Group's investment in the project totalled \$726,216 (both equity and debt) and achieved a 45% return on investment. In addition, the Property division was paid over \$1.3 million in performance fees for managing the project.

The Neutral Bay development (FPG No.5 Pty Ltd) launched its marketing campaign during the period, resulting in a number of enquires. At the date of this report a number of units have been sold and construction of the project has commenced.

The Greenwich project (FPG No.4 Pty Ltd) has received DA approval and has commenced with the demolition and construction of the development. This development has been launched to the market and finalisation is expected by late 2020.

The Homebush project (FPG Powel Pty Ltd) has received a DA approval for a redesign of the original design proposal, increasing the net lettable space of the future development. Subsequent to this approval a marketing campaign was launched, and the property has now been sold with settlement expected in July 2020.

During the year, the property division has committed to a largescale development and site in the central coast of New South Wales, having acquired approximately 165,000 square meters of land. The development site and proposed plan for the site is a new chapter in the property division as the site is more catered to large scale "precinct" or "community location" type development rather than the boutique residential historically developed. The project has received strong interests from investors and has the buy in with local and state councils and presents an exciting opportunity for the Property division.

In addition, the Property division has secured two project management jobs that will assist with divisions' day to day cash flow as invoicing for works in the project management jobs will be invoiced monthly.

We continue to seek opportunities to expand into funds management and 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 project management engagements on a monthly fixed fee structure as the principal mechanism for this, in addition to changing the terms and conditions of our management agreement with business partners and larger developments to allow payment of a higher overall management fee consistent with market rates on equal monthly instalments.

Professional Services:

On 29 February 2020, Vertua sold its 50% interests in Locumsgroup. The business was sold back to the original seller and previous business partner, having exchanged on 29 February 2020 with settlement currently pending. Locumsgroup was consistently underperforming against acquisition metrics. The synergies expected to be achieved on initial acquisition were not met despite best efforts. The lack of synergies coupled with consistent underperformance led to the Board's decision to sell its interests in Locumsgroup. The business was sold for a total consideration of \$600,000, equating to a net capital loss on the investment of \$621,855 to the shareholders of Vertua Limited.

The First Equity practice continues to operate professional services relating to Tax, Accounting, Audit and business advisory, with a strong client base. First Equity has traded well for the year and in line with the Board's expectations. The Board expects First Equity to continue to provide a number of synergies within the greater Group in addition to providing the Group with good exposure to its high net worth clients.

Investments:

Other than property development investments, the Group has entered into a debt and equity investment in American Patriot Oil & Gas Limited ('AOW'). The debt component is transacted through a funding syndicate with Defender No 2 Fund Pty Ltd being the syndicate's head entity. AOW received additional debt funding during this period and in addition, the Group also increased its holding of AOW securities and is currently AOW's largest shareholder (13%).

Despite the growing strategic investment into AOW, a fair value loss has been recognized through the profit and loss during this period, reflecting the uncertainty of AOW's share price valuation, in light of the prolonged period of the shares' suspension, from the ASX, since March 2019 and its subsequent de-listing from the ASX in April 2020. The impact of COVID-19 and the crash in the benchmark prices across the globe has further impacted AOW however in light of limited financial information being made available to stakeholders it is difficult to understand the true financial position of the business and its impact to the Group.

Regardless of AOW's share valuation and uncertainty in the oil markets, it is the Board view that the underlying debt investment, held via Defender No 2 Pty Ltd, remains fully recoverable. This view has been formed due to Defender No 2 Pty Ltd holding security over all assets of AOW, with the net assets of AOW exceeding the total loaned amount.

In June 2019 the Group re-invested in the Vertua Opportunities Fund ('VOF'). VOF is a managed fund with a focus on tourism and hospitality. VOF owns and operates motels, camping & caravan parks and restaurants across the east coast of Australia and Tasmania.

Additional, in July 2019, the Group also invested in Cosmos Capital Limited ('Cosmos'). Cosmos is an energy and infrastructure business with a focus on data centres. At the date of this report, the investment in Cosmos has recorded a fair value gain based on the valuation of Cosmos through its second round of funding. The investment is expected to return strong cash flow from Cosmos' dividend plan commencing in second half of the year 2020 in addition to further capital increases on the Group's initial investment.

Significant changes in the state of affairs

Effective 29 February 2020, the Group finalised the disposal of its 50% shareholding in the Locumsgroup business.

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

Matters subsequent to the end of the financial year

In July 2020, Fiducia Group converted the deposit paid and some outstanding payables due from a new development project to equity, totalling \$260,000. The project is FPG No. 6 Pty Ltd and it is for a development on the central coast of New South Wales.

In July 2020, the FPG Powel development was sold, with all capital contributions been paid back to the Group, plus accrued interest on the capital paid.

COVID-19

The onset and impact of COVID-19 has been unprecedented, with all individuals and businesses in Australia and globally having been impacted in some way.

Whilst there remains a significant amount of uncertainty, the Group has performed well during this period to date, with minimal or low impact to the Group's core business of property and professional services. The various government subsidies such as job keeper and cash flow boost have assisted with the Group's cashflow.

COVID-19 has impacted on some of the Group's investments, predominantly in the oil and gas industry and the tourism industry.

No other matter or circumstance has arisen since 31 March 2020 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

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 Group intends to significantly expand the investment operations of the Vertua. The Board is currently exploring appropriate capital initiatives and funding sources to further this objective. It is expected that this will include some sort of capital raise and or issue of shares on the acquisition of other investment assets.

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 14 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: 1,577,273
Interests in options: Nil
Contractual rights to shares: Nil

Name: James Manning
Title: Managing Director
Qualifications: B.Bus (Accounting), M.Bus (Finance), FAICD
Experience and expertise: James has over 12 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: American Patriot Oil & Gas Limited
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: 19,265,215 indirectly through the Manning Family Associates
Interests in options: 28,892,003 indirectly through the Manning Family Associates
Contractual rights to shares: Nil

Name: Benjamin Doyle
Title: Executive Director
Experience and expertise: Ben founded Fiducia Property Group and has run it for over 17 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 6,653,150 indirectly through the Doyle Family Associates
Interests in options: Nil
Contractual rights to shares: Nil

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'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

Michael Bregenhoj acted as the company secretary during the financial year 2020. Mr Bregenhoj resigned as company secretary on 3 June 2020 and was replaced by Christos Kyriakides on the same day, who is also the CFO of the Group.

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 31 March 2020, and the number of meetings attended by each director were:

	Full Board		Audit and Risk Committee	
	Attended	Held	Attended	Held
Christopher Bregenhoj	4	4	1	1
Benjamin Doyle	4	4	1	1
James Manning	4	4	1	1

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 ('KMP') 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
- Statutory performance indicators
- Additional disclosures relating to key management personnel

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
- 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.

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Alignment to shareholders' interests:

- having 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 annually.

Executive remuneration

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

The executive remuneration and reward framework has three components:

- base pay and non-monetary benefits
- short-term performance incentives
- 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 and/or retainers, 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 if applicable, other FBT impacts (for example motor vehicle benefits) where it does not create any additional costs to the Group and provides additional value to the executive.

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

The long-term incentives ('LTI') include long service leave.

Voting and comments made at the Company's 2019 Annual General Meeting ('AGM')

At the 2019 AGM held on 29 August 2019, 99.78% of the votes received supported the adoption of the remuneration report for the year ended 31 March 2019. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration

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

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

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

	Short-term benefits	Post- employment benefits	Long-term benefits	
	Cash salary and fees	Super- annuation	Long service leave	Total
2020	\$	\$	\$	\$
<i>Non-Executive Directors:</i>				
Christopher Bregenhoj	30,000	-	-	30,000
<i>Executive Directors:</i>				
Benjamin Doyle	244,448	22,083	19,520	286,050
James Manning	336,110	9,760	-	345,870
	<u>610,558</u>	<u>31,843</u>	<u>19,520</u>	<u>661,920</u>

	Short-term benefits	Post- employment benefits	Long-term benefits	
	Cash salary and fees	Super- annuation	Long service leave	Total
2019	\$	\$	\$	\$
<i>Non-Executive Directors:</i>				
Christopher Bregenhoj	30,000	-	-	30,000
<i>Executive Directors:</i>				
Benjamin Doyle	244,448	22,083	15,645	282,176
James Manning	308,549	6,507	2,283	317,339
	<u>582,997</u>	<u>28,590</u>	<u>17,928</u>	<u>629,515</u>

Service agreements

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

Name:	James Manning
Title:	Managing Director
Term of agreement:	Unspecified
Details:	Per the service agreements in place with Vertua Limited, James Manning receives a director fee of \$36,000 per annum. Furthermore, management fees of \$178,931 was paid during the year. In addition, James had (ceased in December 2019) an employment contract with First Equity for \$150,000 per annum including superannuation of which \$121,180 was paid during the year (plus superannuation)

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

Name: Benjamin Doyle
 Title: Director
 Term of agreement: Unspecified
 Details: Per the service agreements in place with Vertua Limited, Benjamin Doyle receives a director fee of \$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 2020.

Options

There were no options over ordinary shares granted to or vested by directors as part of compensation during the year ended 31 March 2020.

Additional disclosures relating to key management personnel

Shareholding (direct and indirect holdings)

The number of shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Additions by conversion of convertible notes	Disposals/ other	Balance at the end of the year
Christopher Bregenhoj	1,577,273	-	-	1,577,273
Benjamin Doyle	3,195,451	3,582,699	-	6,778,150
James Manning	7,306,529	11,958,686	-	19,265,215
	<u>12,079,253</u>	<u>15,541,385</u>	<u>-</u>	<u>27,620,638</u>

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Shares issued during the year were due to the conversion of convertible notes.

Option holding (direct and indirect holdings)

The number of options over ordinary shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Released	(Exercised/ disposed)	Balance at the end of the year
James Manning	13,161,019	15,730,984	-	28,892,003
	<u>13,161,019</u>	<u>15,730,984</u>	<u>-</u>	<u>28,892,003</u>

Vertua had a maximum balance of unreleased options of 32,416,425 options with a strike price of \$0.1485 per share. As at 31 March 2019 the group had recognised a total of 15,161,019 options. Under the terms of the option agreement the options released to option holders cannot exceed 49.9% of the issued capital of Vertua at any time. Accordingly, Vertua has released an additional 15,730,984 options during the period (previously approved by the Board and shareholders). Subject to further shares being issued there exists a further liability to issue up to a maximum of 1,542,422 additional options to Manning Capital Holdings.

Convertible notes (direct and indirect holdings)

The number of convertible notes that are convertible into ordinary shares of the in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Issued	Converted	Balance at the end of the year
Benjamin Doyle	3,582,699	-	(3,582,699)	-
James Manning	11,958,686	-	(11,958,686)	-
	<u>15,541,385</u>	<u>-</u>	<u>(15,541,385)</u>	<u>-</u>

KMP Loans

The loan from Manning Capital Holdings Pty Ltd of \$3,842,239 (2019: \$3,434,972) was initially extended to provide additional working capital and acquisition funding for the purchase of Locumsgroup. As per the terms of the loan agreement there is a maximum draw down limit of \$6 million and the loan facility continues to be available to the Group. Manning Capital Holdings Pty Ltd is considered a related party.

Other transactions with KMP

The Director, Mr Manning, is also a director of Manning Capital Holdings Pty Ltd and Defender Investment Management Pty Ltd which provide management & administration services and capital funding support to the Group.

The Director Mr Bregenhøj is also a director and shareholder of First Equity Partners provides management & administration services to the Group.

The fees paid in relation to management and administration services specifically amounted to \$282,055 (which are included in the total KMP disclosures), while the interest payments made in relation to the funding support provided by Manning Capital Pty Ltd, Manning Capital Holdings Pty Ltd which attracted an interest rate between 5% and 12%, amounted to \$444,550.

Statutory performance indicators

The consequences of the Group's performance on shareholder wealth, outlined as a function of its share price and net assets attributable to shareholders over the last 4 years is provided below:

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	31-Mar-20	31-Mar-19	31-Mar-18	31-Mar-17
Share price at financial year end (\$)	\$0.18	\$0.26	\$0.07	\$0.07
Net tangible assets per ordinary share	\$0.095	\$0.25	\$0.28	\$0.33

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of Vertua Limited under option at the date of this report are as follows:

Expiry date	Exercise price	Number under option
15 March 2027	\$0.1485	28,892,003

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

Shares issued on the exercise of options

No shares of Vertua Limited were issued on the exercise of options during the period.

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 33 to the financial statements.

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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 33 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 (including Independence Standards) 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 immediately after this directors' report.

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



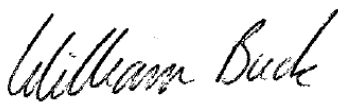
Christopher Bregenhoj
Chairman

30 July 2020

**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 2020 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
Accountants & Advisors
ABN 16 021 300 521



Rainer Ahrens
Partner

Sydney, 30 July 2020

ACCOUNTANTS & ADVISORS

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Statement of profit or loss and other comprehensive income
For the year ended 31 March 2020

		Consolidated	
		2020	2019
		\$	\$
Revenue			
Revenue	5	3,415,564	2,693,938
Other income	6	492,054	2,298,462
		<u>3,907,618</u>	<u>4,992,400</u>
Cost of sales		<u>(237,859)</u>	<u>(445,603)</u>
Gross profit		<u>3,669,759</u>	<u>4,546,797</u>
Expenses			
Management fees		(208,931)	(194,056)
Director fees		(78,000)	(78,000)
Professional fees		(347,964)	(522,911)
Property costs		(24,065)	(119,944)
Advertising and promotion		(21,331)	(5,053)
Other expenses from ordinary activities		(1,000,007)	(247,411)
Depreciation and amortisation expense	7	(470,952)	(330,352)
Salaries and wages		(1,822,189)	(1,444,730)
Fair value gain (loss) on investments	15	<u>(881,377)</u>	<u>-</u>
Operating profit / (loss)		(1,185,057)	1,604,340
Finance cost		<u>(473,672)</u>	<u>(753,246)</u>
Loss before income tax (expense)/benefit from continuing operations		(1,658,729)	851,094
Income tax (expense)/benefit	8	<u>481,688</u>	<u>(563,732)</u>
Loss after income tax (expense)/benefit from continuing operations		(1,177,041)	287,362
Profit (loss) after income tax expense from discontinued operations	9	<u>(1,022,501)</u>	<u>(455,353)</u>
Loss after income tax (expense)/benefit for the year		(2,199,542)	(167,991)
Total comprehensive income for the year		<u>(2,199,542)</u>	<u>(167,991)</u>
Loss for the year is attributable to:			
Non-controlling interest of Locumsgroup		(400,646)	(260,000)
Owners of Vertua Limited		<u>(1,798,896)</u>	<u>92,009</u>
		<u>(2,199,542)</u>	<u>(167,991)</u>
Total comprehensive income for the year is attributable to:			
Continuing operations		-	(260,000)
Discontinued operations		(400,646)	-
Non-controlling interest		<u>(400,646)</u>	<u>(260,000)</u>
Continuing operations		(1,758,802)	547,362
Discontinued operations		(40,094)	(455,353)
Owners of Vertua Limited		<u>(1,798,896)</u>	<u>92,009</u>
		<u>(2,199,542)</u>	<u>(167,991)</u>

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

Vertua Limited
Statement of profit or loss and other comprehensive income
For the year ended 31 March 2020

		Cents	Cents
Earnings per share for loss from continuing operations			
Basic earnings per share	39	(1.90)	(2.76)
Diluted earnings per share	39	(1.25)	(1.02)
Earnings per share for loss from discontinued operations			
Basic earnings per share	39	(1.65)	(1.03)
Diluted earnings per share	39	(1.08)	(0.38)
Earnings per share for loss			
Basic earnings per share	39	(3.55)	(3.79)
Diluted earnings per share	39	(2.33)	(1.40)

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 2020

		Consolidated	
		2020	2019
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	10	436,966	1,194,713
Trade and other receivables	11	2,682,084	3,143,678
Financial assets	12	920,000	520,000
Net present value of trail commission income	13	-	425,520
Total current assets		<u>4,039,050</u>	<u>5,283,911</u>
Non-current assets			
Receivables	14	3,015,001	1,635,923
Financial assets	15	3,011,124	4,369,500
Property, plant and equipment	16	245,201	375,331
Right of Use asset	17	209,655	-
Intangibles	18	1,946,006	3,383,740
Net deferred tax	19	1,105,452	652,631
Net present value of trail commission income	20	-	807,488
Total non-current assets		<u>9,532,439</u>	<u>11,224,613</u>
Total assets		<u>13,571,489</u>	<u>16,508,524</u>
Liabilities			
Current liabilities			
Trade and other payables	21	977,912	913,009
Other current liabilities	22	209,420	500,882
Provisions	23	108,048	203,688
Total current liabilities		<u>1,295,380</u>	<u>1,617,579</u>
Non-current liabilities			
Payables	24	96,515	92,667
Financial liabilities measured at amortised cost	25	4,368,321	3,884,972
Total non-current liabilities		<u>4,464,836</u>	<u>3,977,639</u>
Total liabilities		<u>5,760,216</u>	<u>5,595,218</u>
Net assets		<u>7,811,273</u>	<u>10,913,306</u>
Equity			
Issued capital	26	12,121,402	8,706,194
Convertible notes	27	720,000	4,119,209
Accumulated losses		<u>(5,030,129)</u>	<u>(3,182,808)</u>
Equity attributable to the owners of Vertua Limited		7,811,273	9,642,595
Non-controlling interest	28	-	1,270,711
Total equity		<u>7,811,273</u>	<u>10,913,306</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 2020

Consolidated	Issued capital \$	Convertible notes \$	Accumulated losses \$	Non-controlling interest \$	Total equity \$
Balance at 1 April 2019	8,706,194	4,119,209	(3,182,808)	1,270,711	10,913,307
Adjustment for change in accounting policy (see Note 2)	-	-	(48,425)	-	(48,425)
Balance at 1 April 2019 - restated	8,706,194	4,119,209	(3,231,235)	1,270,711	10,864,880
Shares issued	20,000	-	-	-	20,000
Convertible notes converted into shares	3,399,208	(3,399,208)	-	-	-
Share buy back	(4,000)	-	-	-	-
Adjustment for NCI share of diminution within discontinued operations up to date of sale	-	-	400,646	(400,646)	-
Profit (loss) after income tax benefit for the year	-	-	(2,199,542)	-	(2,119,542)
Non-controlling interest movement in the year	-	-	-	(870,065)	(870,065)
Balance at 31 March 2020	<u>12,121,402</u>	<u>720,000</u>	<u>(5,030,129)</u>	<u>-</u>	<u>7,811,273</u>

Consolidated	Issued capital \$	Convertible notes \$	Revaluation reserve \$	Accumulated losses \$	Non-controlling interest \$	Total equity \$
Balance at 1 April 2018	4,917,116	3,265,420	1,078,551	(4,056,766)	1,530,711	6,735,032
Profit/(loss) after income tax expense for the year	-	-	-	92,009	(260,000)	(167,991)
Other comprehensive income for the year, net of tax	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	92,009	(260,000)	(167,991)
Shares issued	1,892,000	-	-	-	-	1,892,000
Shares bought back	(12,403)	-	-	-	-	(12,403)
Convertible notes converted into shares	1,909,481	(1,815,213)	-	-	-	94,268
Convertible notes reclassified from debt	-	1,949,002	-	-	-	1,949,002
Convertible notes issued	-	720,000	-	-	-	720,000
Tax effect of revaluation reserve opening balance on sale of owner-occupied property	-	-	(296,602)	-	-	(296,602)
Transfer of revaluation increment to retained earnings on sale of owner-occupied property	-	-	(781,949)	781,949	-	-
Balance at 31 March 2019	<u>8,706,194</u>	<u>4,119,209</u>	<u>-</u>	<u>(3,182,808)</u>	<u>1,270,711</u>	<u>10,913,306</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 2020

	Consolidated	
	2020	2019
	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	5,877,020	8,870,589
Payments to suppliers and employees (inclusive of GST)	(4,750,244)	(8,521,311)
Interest and other finance costs paid	(27,249)	(176,496)
Interest received	294,604	141,303
Income taxes paid	(62,389)	-
	<u>1,331,743</u>	<u>314,085</u>
Net cash from operating activities		
Cash flows from investing activities		
Investment into financial assets	(989,548)	(3,433,802)
Proceeds from disposal of assets held for sale	-	4,900,000
Proceeds (Payments) from disposal of subsidiary, net of cash	(99,988)	1,291,677
Payments for property, plant and equipment	(46,435)	(106,013)
Payments for intangibles	(159,400)	(182,634)
	<u>(1,295,370)</u>	<u>2,469,228</u>
Net cash from investing activities		
Cash flows from financing activities		
Amounts paid for hire purchase lease liabilities	(46,633)	(54,407)
Payment of lease liability	(151,569)	-
Net proceeds from issue of shares and conversion of share options	-	1,069,597
Net loans (repaid to)/received from related parties	(37,282)	(2,880,064)
Loans obtained from/(extended) to non-controlling interest group	-	99,230
Net loans (provided to)/received from by external parties	(558,636)	(900,000)
	<u>(794,121)</u>	<u>(2,665,644)</u>
Net cash used in financing activities		
Net decrease in cash and cash equivalents	(757,748)	117,669
Cash and cash equivalents at the beginning of the financial year	<u>1,194,714</u>	<u>1,077,044</u>
Cash and cash equivalents at the end of the financial year	<u><u>436,966</u></u>	<u><u>1,194,713</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 29 July 2020. 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 consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

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

AASB 16 Leases

The consolidated entity has adopted AASB 16 from 1 April 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Note 2. Significant accounting policies (continued)

Impact of adoption

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption on opening retained profits as at 1 April 2019 was as follows:

	1 April 2019 \$
Finance and operating lease commitments as at 1 April 2019 (AASB 117)	836,066
Operating lease commitments discount based on the weighted average incremental borrowing rate of 6% (AASB 16)	(210,304)
Accumulated depreciation as at 1 April 2019 (AASB 16)	247,555
Right-of-use assets (AASB 16)	<u>873,317</u>
Lease liabilities - current (AASB 16)	(249,232)
Lease liabilities - non-current (AASB 16)	(586,834)
Tax effect on the above adjustments	<u>11,176</u>
Reduction in opening retained profits as at 1 April 2019	<u><u>48,427</u></u>

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

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 Limited 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 financial assets, financial assets at fair value through profit or loss, investment properties and certain classes of property, plant and equipment.

Note 2. Significant accounting policies (continued)

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 35.

Investment entity

Vertua Limited (the 'Company') has determined that it is an investment entity under the definition in AASB 10 Consolidated Financial Statements as it meets the following criteria:

- The Company has obtained funds from shareholders for the purpose of providing them with investment management services;
- The Company's business purpose is investing solely for returns from capital appreciation and investment income; and
- The performance of investments made by the Company are measured and evaluated on a fair value basis.

As the Company is an investment entity, entities that the Company controls are accounted for at fair value through profit or loss and shown as financial assets in the statement of financial position ('managed investments'). Managed investments are disclosed in Note 15.

Certain controlled entities provide services that relate to the core business of the Group and are consolidated in accordance with the principles of consolidation accounting presented policy below ('core entities'). Core entities are disclosed in Note 36.

Principles of consolidation (applied to Core entities only)

The consolidated financial statements incorporate the assets and liabilities of all controlled entities the Company as at 31 March 2020 and the 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 on the basis that they form part of the Core business of the Group only. They are de-consolidated from the date that control ceases. Entities that are controlled but do not form part of the Core business activities of the Group are treated as investments and are recognised on the balance sheet at fair value through profit and loss.

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 subsidiary, 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.

Note 2. Significant accounting policies (continued)

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 from contracts with customers

For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

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.

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 profit share agreement. Profit share revenue is recorded only when the stock from development assets have exchanged and the revenue entitlement is both measurable and payable.

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 only recorded when 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.

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.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Note 2. Significant accounting policies (continued)

Investment revenue

Purchases and sales of investments are recognised on trade-date being the date the company commits to purchase or sell the asset. Investments are classified as assets and comprise of holdings of trading securities and units in a trust and are measured at fair value through the statement of Profit & Loss and other comprehensive income.

Investments are continuously carried at fair value using price quotations in an active market where applicable and revalued at fair value through the profit and loss and other comprehensive income. Investments which are not listed on a securities exchange are valued at fair value through the profit and loss using appropriate valuations techniques such as the use of recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow techniques, option pricing models or any other valuation techniques that provide a reliable estimate of prices obtained in actual market transactions.

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 deferred income tax 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.

Note 2. Significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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 allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Financial instruments

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at amortised cost

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

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.

Note 2. Significant accounting policies (continued)

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:

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.

Discontinued operations

A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

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 8-10 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.

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.

Note 2. Significant accounting policies (continued)

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

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 Group has recorded convertible notes at the amount of money advanced. This is because, given the nature and size of the Group, 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).

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.

Note 2. Significant accounting policies (continued)

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

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.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

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.

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

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

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

Income tax

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

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences 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') and the Similar Business Test (SBT) provisions for its ability to utilise the losses of Vertua Limited and its subsidiaries. Should the Group breach the Modified COT or SBT 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 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.

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.

Note 4. Operating segments (continued)

Types of products and services

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

Printing (discontinued operations)	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 (discontinued operations);- the accounting and finance advice provided by Vertua; and- The tax, accounting audit and business services provided by First Equity
Investments	Relates to: <ul style="list-style-type: none">- the AFSL of Defender Asset Management;- the Group's interests in assets held as managed investments; and- principal investments made by the Group.
Corporate	Relates to the Group's corporate assets.

All the Group's segments operate in Australia.

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Note 4. Operating segments (continued)

Operating segment information

Consolidated - 2020	Locumsgroup (discontinued operations) \$	Property \$	Professional services \$	Investments \$	Corporate \$	Total \$
Revenue						
Revenue	1,434,154	746,537	2,289,052	329,153	50,822	4,849,718
Other	23,670	102,529	110,474	279,051	-	515,724
Total revenue	<u>1,457,824</u>	<u>849,066</u>	<u>2,399,526</u>	<u>608,204</u>	<u>50,822</u>	<u>5,365,442</u>
Cost of sales	(63,969)	(114,319)	(123,540)	-	-	(301,828)
Salaries and wages	(885,861)	(584,281)	(992,586)	-	(245,322)	(2,708,050)
Management fees	-	-	(27,375)	(30,000)	(151,556)	(208,931)
Director fees	-	-	-	-	(78,000)	(78,000)
Finance costs	(29,521)	(449,699)	(3,545)	-	(20,428)	(503,193)
Professional fees	-	(28,375)	(118,264)	(23,151)	(178,174)	(347,964)
Property costs	(115,163)	(24,065)	-	-	-	(139,228)
Advertising and promotion	-	(21,331)	-	-	-	(21,331)
Other expenses	(152,727)	(249,662)	(332,405)	(3,469)	(414,471)	(1,152,734)
Depreciation and amortisation expense	(250,677)	(9,626)	(112,168)	-	(349,158)	(721,629)
Fair value gain (loss) on investments	-	-	-	(881,377)	-	(881,377)
Loss on sale of subsidiary	-	-	-	-	(976,064)	(976,064)
Profit/(Loss) before income tax benefit	<u>(40,094)</u>	<u>(632,292)</u>	<u>689,643</u>	<u>(329,793)</u>	<u>(2,362,351)</u>	<u>(2,674,887)</u>
Income tax (expense) benefit	(6,343)	-	(1,378)	-	483,066	475,345
Loss after income tax benefit						<u>(2,199,542)</u>
Other comprehensive income						-
Total comprehensive income						<u>(2,199,542)</u>
Assets						
Segment assets	-	5,408,033	1,028,920	5,223,868	1,910,668	13,571,489
Total assets						<u>13,571,489</u>
Liabilities						
Segment liabilities	-	4,491,607	422,240	361,347	485,022	5,760,216
Total liabilities						<u>5,760,216</u>

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Note 4. Operating segments (continued)

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

Consolidated - 2019	Printing services (discontinued operations) \$	Property \$	Locumsgroup (discontinued operation) \$	Professional services \$	Investments \$	Corporate \$	Total \$
Revenue							
Revenue	2,781,865	2,685,995	2,427,740	716,797	38,000	6,609	8,657,006
Other	-	459,848	39,285	500,637	(148,925)	-	850,845
Total revenue	<u>2,781,865</u>	<u>3,145,843</u>	<u>2,467,025</u>	<u>1,217,434</u>	<u>(110,925)</u>	<u>6,609</u>	<u>9,507,851</u>
Cost of sales	(2,225,212)	(411,613)	(74,929)	(22,327)	(11,663)	-	(2,745,744)
Salaries and wages	(306,013)	(631,337)	(1,117,596)	(501,781)	-	(311,612)	(2,868,339)
Management fees	(20,000)	-	-	(55,000)	(20,000)	(174,056)	(269,056)
Director fees	-	-	-	-	-	(78,000)	(78,000)
Finance costs	(809)	(598,118)	(22,410)	(1,303)	-	(153,825)	(776,465)
Professional fees	(112,114)	(43,154)	(13,050)	(59,675)	(15,040)	(350,042)	(593,075)
Property costs	(4,624)	(119,944)	(207,755)	-	-	-	(332,323)
Advertising and promotion	(15,362)	(3,743)	-	(1,310)	-	-	(20,415)
Other expenses	(74,386)	29,597	(555,219)	44,709	(8,548)	(313,169)	(877,016)
Depreciation and amortisation expense	(9,285)	(12,562)	(219,917)	(135,356)	-	(182,434)	(559,554)
Impairment of intangibles	-	-	(520,000)	-	-	-	(520,000)
Gain on sale of subsidiary	-	-	-	-	-	733,439	733,439
Profit/(Loss) before income tax benefit	<u>14,060</u>	<u>1,354,969</u>	<u>(263,851)</u>	<u>485,391</u>	<u>(166,176)</u>	<u>(823,090)</u>	<u>601,303</u>
Income tax (expense) benefit	(205,562)	-	-	-	-	(563,732)	(769,294)
Loss after income tax benefit							<u>(167,991)</u>
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income							<u>(167,991)</u>

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

Note 5. Revenue

	Consolidated	
	2020	2019
	\$	\$
<i>Revenue from contracts with customers</i>		
Property services	746,537	1,392,477
Professional services	2,289,052	754,797
Investment revenue	329,153	-
Corporate	50,822	6,609
Total revenue	<u>3,415,564</u>	<u>2,153,883</u>

Vertua Limited
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Note 5. Revenue (continued)

Disaggregation of revenue

	Professional services	Property	Investments	Corporate	Total
Services transferred at a point in time	-	501,082	299,153	-	800,235
Services transferred over time	<u>2,289,052</u>	<u>245,455</u>	<u>30,000</u>	<u>50,822</u>	<u>2,615,329</u>
Total revenue	<u><u>2,289,052</u></u>	<u><u>746,537</u></u>	<u><u>329,153</u></u>	<u><u>50,822</u></u>	<u><u>3,415,564</u></u>

Note 6. Other income

	Consolidated	
	2020	2019
	\$	\$
Other income		
Interest received	275,510	312,296
Disbursement recovery	163,252	349,671
Gain on bargain purchase	-	258,910
Other	<u>53,292</u>	<u>302,950</u>
	<u><u>492,054</u></u>	<u><u>1,223,828</u></u>

Note 7. Expenses

	Consolidated	
	2020	2019
	\$	\$
Loss before income tax from continuing operations includes the following specific expenses:		
<i>Depreciation and amortisation</i>		
Amortisation (Note 17,18)	388,707	270,014
Depreciation (Note 16)	<u>82,245</u>	<u>60,338</u>
Total amortisation and depreciation	<u>470,952</u>	<u>330,352</u>
<i>Other</i>		
Superannuation expense	151,330	198,361
Bad debts and allowance for credit losses expense (reversal)	<u>196,637</u>	<u>(34,054)</u>
Total other	<u><u>347,967</u></u>	<u><u>164,307</u></u>

Vertua Limited
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Note 8. Income tax expense (benefit)

	Consolidated	
	2020	2019
	\$	\$
Income tax expense/(benefit):		
Attributed to continuing operations	481,688	563,732
Attributed to discontinued operations	<u>(6,343)</u>	<u>205,562</u>
Aggregate income tax expense/(benefit)	<u>475,345</u>	<u>769,294</u>
<i>Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate</i>		
Loss before income tax expense/(benefit) from continuing operations	(2,703,809)	(146,196)
Loss before income tax expense from discontinued operations	<u>(40,094)</u>	<u>747,499</u>
Profit/(loss) before income tax benefit	<u>(2,743,903)</u>	<u>601,303</u>
Tax at the statutory tax rate of 27.5%	(754,573)	165,358
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Amortisation of intangibles	-	74,016
Other non-deductible amounts	48,793	233,838
Loss on disposal of capital asset	(335,278)	-
Non-assessable income	-	(164,090)
Non-deductible interest	-	41,131
Impairment loss	559,179	143,000
Intangible DTA not previously recognised	(125,397)	-
Non-deductible expenses	2,961	-
Impact of future change in corporate tax rate on carrying value of tax losses	120,833	-
Non-deductible un-realised fair value adjustment	54,534	100,093
Derecognising tax effect on opening revaluation reserve upon realisation	-	296,602
Increase in market value not assessable	-	(113,374)
Tax losses utilised	(2,323)	
Other	<u>(44,074)</u>	<u>(7,280)</u>
Income tax expense/(benefit)	<u>(475,345)</u>	<u>769,294</u>

Note 9. Discontinued operations

Effective 29 February 2020, the Group finalised the full disposal of its entire holding in Vertua Investment Unit Trust and its 50% interest in the Locumsgroup business. The total consideration generated from the sale of the units and assignment of debt amounted to \$600,000 and is expected to be paid to the Vertua in July 2020.

Vertua Limited
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Note 9. Discontinued operations (continued)

(a) Financial performance information

	Consolidated	
	31-Mar-20	31-Mar-19
	\$	\$
Revenue	1,434,154	2,427,740
Other	23,670	39,285
Total Revenue	<u>1,457,824</u>	<u>2,467,025</u>
Cost of sales	(63,969)	(74,929)
Salaries and wages	(885,861)	(1,117,596)
Professional fees	-	(13,050)
Property costs	(115,163)	(207,755)
Other Expenses	(152,727)	(555,219)
Depreciation and Amortization	(250,677)	(219,917)
Impairment loss	-	(520,000)
Finance costs	(29,521)	(22,410)
Total Expenses	<u>(1,497,918)</u>	<u>(2,730,876)</u>
Profit (Loss) before income tax benefit	(40,094)	(263,851)
Income tax benefit	(6,343)	-
Profit (loss) after income tax expense	<u>(46,437)</u>	<u>(263,851)</u>
Loss on disposal after income tax expense on discontinued operations	(1,022,501)	-
Non-controlling interest share of loss	400,646	-
Loss on disposal after income tax expense on discontinued operations attributable to the shareholders of Vertua Limited	<u>(621,855)</u>	<u>-</u>

(b) Cash flow information

	Consolidated	
	2020	2019
	\$	\$
Net cash from operating activities	576,414	143,383
Net cash used in investing activities	(1,439)	(15,620)
Net cash used in financing activities	(550,768)	144,725
Net increase/(decrease) in cash and cash equivalents from discontinued operations	<u>24,207</u>	<u>272,488</u>

Vertua Limited
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Note 9. Discontinued operations (continued)

(c) Carrying amounts of assets and liabilities disposed

	Consolidated 2020 \$
Cash and cash equivalents	216,295
Trade receivables	361,093
Property, plant and equipment	56,220
Intangibles	474,003
Right-of-use Asset	386,677
Net present value of trail commission income	1,076,099
Total assets	<u>2,570,328</u>
Trade payables	263,140
Employee entitlements	140,600
Finance Liabilities	426,458
Total liabilities	<u>830,199</u>
Net assets	<u><u>1,740,130</u></u>

(d) Details of the disposal

	Consolidated 2020 \$
Carrying amount of assets disposed	1,740,130
Vertua portion of Locumsgroup net assets representing 50%	870,065
Goodwill associated with discontinued operations	705,999
Net assets disposed	<u>1,576,064</u>
Consideration received/ receivable (note 11)	600,000
Segment loss	(40,094)
Tax	(6,343)
Loss on sale of Vertua Investment Unit Trust	<u><u>(1,022,501)</u></u>
Adjustment for NCI share of diminution within discontinued operations up to date of sale	(400,646)
Loss on sale of Vertua Investment Unit Trust attributed to Vertua Limited Shareholders	(621,855)
	<u><u>(1,022,501)</u></u>

Note 10. Current assets - Cash and cash equivalents

	Consolidated	
	2020	2019
	\$	\$
Cash at bank and on hand	<u>436,966</u>	<u>1,194,713</u>

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Note 11. Current assets - Trade and other receivables

	Consolidated	
	2020	2019
	\$	\$
Trade receivables	1,308,523	939,121
Real estate commissions receivable (forms part of discontinued operations)	-	(7,800)
Less: Allowance for expected credit losses	-	155,992
	<u>1,308,523</u>	<u>1,087,313</u>
Accrued income	282,488	69,408
Prepayments	85,118	1,507,105
	<u>367,606</u>	<u>1,576,513</u>
HPM sale receivable	-	113,636
Insurance claim receivable	55,000	160,000
Consideration receivable (refer to note 9)	600,000	-
Short term loan advances	350,955	206,216
	<u>2,682,084</u>	<u>3,143,678</u>

Insurance claim receivable

The Group finalised its negotiations with the credit insurers of the Printing segment (sold in July 2018) for a claim against their Professional Indemnity insurance for incorrect advice received. The total receivable is \$55,000 in full settlement of the claim was received in June 2020.

Short term loan advances

The Group has extended short term, interest free loan advances to 37 Powell Road Unit Trust, FPG No 4 Unit Trust and FPG No 5 Unit Trust (all Property segment development) representing bridge financing to cover incidental costs to completion. It is expected that these short-term loans will be paid back in full within 12 months from the report period.

Note 12. Current assets - Financial assets

	Consolidated	
	2020	2019
	\$	\$
Financial assets: Interests in residential development entities held at fair value	<u>920,000</u>	<u>520,000</u>

The Group has a number of investments in a variety of development projects located in Sydney, NSW and other Australian domiciled equities.

The \$520,000 was the equity portion of the Northbridge project and was received in full upon completion of the development during June 2019.

The \$920,000 relates to the equity portion of Vertua in the 37 Powel Road development. 37 Powel Road development has been sold, with settlement scheduled for July 2020 at which point the development will pay back Vertua its equity portion.

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

	Consolidated	
	2020	2019
	\$	\$
Commissions receivable	-	425,520

Commissions receivable form part of discontinued operations. Refer to Note 9 for more detail.

Note 14. Non-current assets – Receivables

	Consolidated	
	2020	2019
	\$	\$
Other receivable	158,400	-
Security Deposits	-	116,354
Loan – Shakeel K	15,000	-
Loan - Defender No.2 Fund Pty Ltd (related party)	2,289,796	1,325,261
Loan - FE Management Pty Ltd	551,805	194,308
	<u>3,015,001</u>	<u>1,635,923</u>

Related party Loan - Defender No.2 Pty Ltd – Defender No.2 Fund Pty Ltd

Defender No.2 Pty Ltd as trustee for the Defender No.2 Fund ("Defender No.2") is a special purpose vehicle, established by James Manning to facilitate the syndication of a loan advance to American Patriot Oil & Gas Limited. Defender No.2 and the Group share a common director in the person of James Manning and is considered a related party of James Manning, however all transactions are on a commercial arm's length basis. The Group participated in the syndicate on the same terms as other independent investors.

The Syndicated loan to AOW is secured by Defender No.2 holding a General Security Deed over the business and assets of AOW. The Group's loan to Defender No.2 is interest bearing at 12% and is repayable in 4 years and whilst unsecured, the Group does have the right to nominate a director to AOW's board.

Loan - FE Management Pty Ltd

FE Management Pty Ltd as trustee for the FE Management Trust is a special purpose vehicle, established by James Manning to facilitate the executive staff remuneration within the First Equity division. In light of First Equity being wholly owned by Vertua Limited, versus a traditional partnership model for professional services business, the loan account associated with FE Management Pty Ltd reflects the drawings and advances to partners in advance of the determination of final profit shares or income, commencing from 1 April 2020. The advances made by FE Management Trust are not to any of the Directors of Vertua Limited and is refundable unless earned.

Other receivable

Relates to an advance for the deposit on the acquisition of development in the Central Coast of New South Wales. In July 2020, the Group converted a total of \$260,000 in receivables to an equity stake in the development. Refer to note 40.

Note 15. Non-current assets - Financial assets

	Consolidated	
	2020	2019
	\$	\$
Financial assets: Interests in residential development entities held at fair value	1,236,006	2,453,273
Financial assets: Equities held at fair value	<u>1,775,118</u>	<u>1,916,227</u>
	<u><u>3,011,124</u></u>	<u><u>4,369,500</u></u>

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.

Uncalled capital commitments as at 31 March 2020 amount to \$354,780 (FY2019: \$372,685).

The current portion of financial assets is disclosed in Note 12.

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

	Property	Equities	Total
Opening balance Non-current	2,453,273	1,916,227	4,369,500
Opening balance Current (note 12)	520,000	-	520,000
Total opening balance	<u>2,973,273</u>	<u>1,916,227</u>	<u>4,889,500</u>
Acquisitions of investments	17,905	532,107	550,013
Disposal of investments	(622,011)	(5,000)	(627,010)
Net fair value movement	<u>(213,162)</u>	<u>(668,217)</u>	<u>(881,378)</u>
Closing balance of financial assets held at fair value	<u><u>2,156,006</u></u>	<u><u>1,775,118</u></u>	<u><u>3,931,124</u></u>
Current portion (note 12)	920,000	-	920,000
Non-current portion	<u>1,236,006</u>	<u>1,775,118</u>	<u>3,011,124</u>
	<u><u>2,156,006</u></u>	<u><u>1,775,118</u></u>	<u><u>3,931,124</u></u>

Note 16. Non-current assets - Property, plant and equipment

	Consolidated	
	2020	2019
	\$	\$
Fixtures and fittings - at cost	254,171	393,417
Less: Accumulated depreciation	<u>(59,536)</u>	<u>(97,285)</u>
	<u>194,635</u>	<u>296,132</u>
Motor vehicles - at cost	78,281	78,281
Less: Accumulated depreciation	<u>(38,450)</u>	<u>(19,715)</u>
	<u>39,831</u>	<u>58,566</u>
Computer equipment - at cost	65,581	80,538
Less: Accumulated depreciation	<u>(65,581)</u>	<u>(75,129)</u>
	<u>-</u>	<u>5,409</u>
Office equipment - at cost	57,105	58,431
Less: Accumulated depreciation	<u>(46,369)</u>	<u>(43,207)</u>
	<u>10,736</u>	<u>15,224</u>
	<u><u>245,201</u></u>	<u><u>375,331</u></u>

Reconciliations

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

Consolidated	Fixtures and fittings \$	Computer equipment \$	Office equipment \$	Motor vehicle \$	Total \$
Balance at 31 March 2018	360,661	6,044	21,883	37,241	425,829
Additions	62,420	104,316	8,741	37,705	213,182
Disposals	(35,222)	(71,947)	-	-	(107,169)
Disposal on sale of HPM	(41,668)	(5,489)	(8,514)	-	(55,671)
Depreciation expense - continuing operations (Note 7)	(47,674)	(26,049)	(6,660)	(16,380)	(96,763)
Depreciation expense - discontinued operations	<u>(2,385)</u>	<u>(1,466)</u>	<u>(226)</u>	<u>-</u>	<u>(4,077)</u>
Balance at 31 March 2019	296,132	5,409	15,224	58,566	375,331
Additions	-	17,284	10,280	-	28,104
Disposals	-	-	-	-	-
Disposal on sale of Locumsgroup (Note 9)	(55,480)	-	(740)	-	(56,221)
Depreciation expense - continuing operations (Note 7)	(26,946)	(22,693)	(13,870)	(18,735)	(82,244)
Depreciation expense - discontinued operations	<u>(19,071)</u>	<u>-</u>	<u>(699)</u>	<u>-</u>	<u>(19,770)</u>
Balance at 31 March 2020	<u><u>194,635</u></u>	<u><u>-</u></u>	<u><u>10,736</u></u>	<u><u>39,831</u></u>	<u><u>245,201</u></u>

Note 17. Non-current assets - Right-of-use asset (Land & Building)

	2020
	\$
Right of Use - Asset (Land & Building)	419,319
Less: Accumulated depreciation	(209,664)
	<u>209,655</u>

Reconciliations

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

	Right-of-use asset
Balance at 1 April 2019	-
Additions brought forward – opening balance adjustments	1,046,369
Accumulated depreciation prior years – opening balance adjustment	(247,555)
Restated opening balance at 1 April 2019	<u>798,814</u>
Depreciation expense – discontinued operations	(62,706)
Depreciation expense – continuing operations	(139,776)
Disposal on sale – Locumsgroup	(386,677)
Balance at 31 March 2020	<u>209,655</u>

The right of use asset relates to the lease of the head office by Vertua Limited. The lease is on a 3-year term having commenced on 30 September 2019 and expiring on 30 September 2021 (with an option to renew). The Monthly lease expenses is \$12,700 with an incremental borrowing rate applied of 6%.

Note 18. Non-current assets – Intangibles

	Consolidated 2019	
	2020	(restated)
	\$	\$
Goodwill - at cost	1,019,057	1,985,056
Less: Impairment	-	(260,000)
	<u>1,019,057</u>	<u>1,725,056</u>
Trademarks - at cost	<u>2,640</u>	<u>2,640</u>
Software - at cost	322,453	163,053
Less: Accumulated amortisation	(180,082)	(23,144)
	<u>142,371</u>	<u>139,909</u>
Customer relationships - at cost	1,690,358	2,424,361
Less: Accumulated amortisation	(908,420)	(908,226)
	<u>781,938</u>	<u>1,516,135</u>
	<u>1,946,006</u>	<u>3,383,740</u>

Note 18. Non-current assets - Intangibles (continued)

Restatement of Goodwill / loan receivable	Total
	\$
Balance of goodwill 31 March 2019 - pre restatement	775,096
Reallocation of Lily Bordeaux loan receivable to Goodwill	<u>949,960</u>
Closing balance of goodwill at 31 March 2019 after restatement	<u><u>1,725,056</u></u>

Related party loan - Lily Bordeaux Pty Ltd & Goodwill restatement

The board reviewed the initial recognition relating to a loan advance in March 2018. Following renegotiation amongst all parties, the transaction was considered to reflect a final instalment of the acquisition consideration due for the Joe Public Holdings Group subsequently resulting in the recognition of goodwill on consolidation.

Reconciliations

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

Consolidated	Goodwill \$	Customer relationships \$	Software \$	Trademarks \$	Total \$
Balance at 31 March 2019	1,725,056	1,516,135	139,909	2,640	3,383,740
Additions		-	159,400	-	159,400
Disposal on sale of Locumsgroup (Note 9)	(705,999)	(474,003)	-	-	(1,180,002)
Amortisation expense - continuing operations (Note 7)	-	(91,993)	(156,938)	-	(248,931)
Amortisation expense - discontinued operations	-	(168,201)	-	-	(168,201)
Balance at 31 March 2020	<u><u>1,019,057</u></u>	<u><u>781,938</u></u>	<u><u>142,371</u></u>	<u><u>2,640</u></u>	<u><u>1,946,006</u></u>

The Groups intangible assets by operating segment are:

	Property \$	Professional services \$	Corporate \$	Investments \$	Total \$
Goodwill	950,040	-	-	69,017	1,019,057
Customer relationships	-	781,938	-	-	781,938
Software	-	-	142,371	-	142,371
Trademarks	-	-	2,640	-	2,640
	<u><u>950,040</u></u>	<u><u>781,938</u></u>	<u><u>145,011</u></u>	<u><u>69,017</u></u>	<u><u>1,946,006</u></u>

Note 18. Non-current assets - Intangibles (continued)

- (a) The fair value of intangible assets recorded on the balance sheet as at 31 March 2020 totalling \$1,946,006 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 Group's business model.

Intangible assets, other than goodwill and trademarks, 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 of First Equity are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 8-10 years from acquisition.

Software relates to Vertua's accounting system managing the affairs of the Group.

- (b) Goodwill is assessed annually by management for impairment. The goodwill has been assessed against the future cashflows of the property segment over the next 24 months. The current workflow of the property segment is expected realise a return to the Group. Management maintain individual cash flow forecasts for multiple ongoing projects. Income generated from projects are in the form of project management fees, interest on invested capital and a share of project returns. Cash flows are expected to be lumpy as is the nature of property developments, however, the Group has a history of successful projects as noted in the segment reports over the last two years. In addition to the current projects, management is consistently on the lookout for new projects and opportunities.

Goodwill reduced during the year due to the sale of Vertua's 50% stake in Locumsgroup.

Note 19. Non-current assets - Deferred tax

	Consolidated	
	2020	2019
	\$	\$
<i>Deferred tax asset comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Tax losses recognised	1,261,971	636,640
Employee benefits	39,423	69,099
Doubtful debts provision	(2,145)	-
Revenue received in advance	-	902
Accrued income	(42,573)	(54,010)
Intangible assets	163,344	-
Right of Use of assets	2,951	-
	<u>1,422,971</u>	<u>652,631</u>
Deferred tax asset		
	<u>1,422,971</u>	<u>652,631</u>
Deferred tax liability	<u>(317,519)</u>	<u>-</u>
	<u>1,105,452</u>	<u>652,631</u>
Net deferred tax position		
	<u>1,105,452</u>	<u>652,631</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") and also the Similar Business Test ("SBT") provisions for its ability to utilise the losses of Vertua Limited and its subsidiaries.

Note 20. Non-current assets - Deferred tax (continued)

Should the Group breach the Modified COT or the SBT 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.

An assessment has been conducted by management on COT and SBT and management is of the view that the criteria is still met on an SBT therefore the tax losses can continue to be utilized.

Note 20. Non-current assets - Net present value of trail commission income

	Consolidated	
	2020	2019
	\$	\$
Commissions receivable	-	807,488
	<u>-</u>	<u>807,488</u>

Forms part of discontinued operations. Refer to note 9 for further details.

Note 21. Current liabilities - Trade and other payables

	Consolidated	
	2020	2019
	\$	\$
Trade payables	355,394	262,894
Wexford Family Trust	-	500,882
Other payables	491,564	359,111
Deferred Consideration	-	90,000
BAS payable	130,954	95,838
Tax Provision	-	28,189
	<u>977,912</u>	<u>1,336,914</u>

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

The current portion of the combined finance lease liabilities equates to 12 monthly payments of \$65,117. The non-current portion of the finance lease liabilities is disclosed in Note 24.

Note 22. Current liabilities - Other current liabilities

	Consolidated	
	2020	2019
	\$	\$
Finance lease liabilities	65,117	76,977
Lease liability - current	144,303	-
	<u>209,420</u>	<u>76,977</u>

The settlement of the Wexford Family Trust loan was part of the sale of the Locumsgroup business.

Lease liability arises from the mandatory adoption of AASB 16 standard, being for the premises of Vertua Limited.

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Note 23. Current liabilities - Provisions

	Consolidated	
	2020	2019
	\$	\$
Annual leave	72,593	118,486
Long service leave	35,455	85,202
	<u>108,048</u>	<u>203,688</u>

Note 24. Non-current liabilities – Payables

	Consolidated	
	2020	2019
	\$	\$
Lease liability - Non current	76,082	-
Finance lease liabilities	96,515	92,667
	<u>172,597</u>	<u>92,667</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 finance lease liabilities is disclosed in Note 22.

Note 25. Non-current liabilities - Financial liabilities measured at amortised cost

	Consolidated	
	2020	2019
	\$	\$
Manning Capital Holdings Pty Ltd	3,842,239	3,434,972
Mackin Money Trust	450,000	450,000
	<u>4,292,239</u>	<u>3,884,972</u>

Refer to Note 30 for further information on financial instruments.

Manning Capital Holdings Pty Ltd loan

The Manning Capital Holdings Pty Ltd loan was initially extended to provide acquisition funding for the purchase of Locumsgroup, and to provide additional working capital for the Group. The total draw down facility is to a maximum of \$6 million and remains available to the Group. Manning Capital Holdings Pty Ltd is considered a related party.

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Note 25. Non-current liabilities - Financial liabilities measured at amortised cost (continued)

Mackin Money Trust loan

The advance from Mackin Money Trust is on a non-recourse basis to a wholly owned special purpose vehicle of the Group for investment purposes in a property development.

Total secured liabilities

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

	Consolidated	
	2020	2019
	\$	\$
Manning Capital Holdings Pty Ltd	3,842,239	3,434,972
	<u>3,842,239</u>	<u>3,434,972</u>

Assets pledged as security

The loan from Manning Capital Holdings Pty Ltd has a General Security Deed over the assets of Vertua Limited and Vertua Investments Limited (wholly-own subsidiary). The security is on all property past and present and capture all subsidiary company interests held by the group.

Note 26. Equity - Issued capital

	Consolidated			
	2020	2019	2020	2019
	Shares	Shares	\$	\$
Class A shares - fully paid	61,887,792	34,817,979	12,121,402	8,706,194

Movements in Class A shares:

Details	Date	Shares	\$
Balance	31 March 2019	34,817,979	8,706,194
Issue of shares	18 June 2019	80,000	20,000
Issue of shares (convertible note conversion) (note 27)	18 June 2019	27,009,813	3,399,208
Share buy back	27 July 2019	(10,000)	(2,000)
Share buy back	19 August 2019	(10,000)	(2,000)
Balance	31 March 2020	<u>61,887,792</u>	<u>12,121,402</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.

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.

Note 26. Equity - Issued capital (continued)

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 2019 Annual Report.

Note 27. Equity - convertible notes

	Consolidated	
	2020	2019
	\$	\$
Convertible note instruments (Tranche A)	-	3,399,209
Convertible note instruments (Tranche B)	720,000	720,000
	<u>720,000</u>	<u>4,119,209</u>

The Tranche A convertible note instruments were converted to shares in April 2019. Tranche B convertible note instruments are expected to be converted by September 2020.

Reconciliations

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

	Total
	\$
Convertible notes - equity	
Balance as at 31 March 2019	4,119,209
Convertible notes converted to shares	<u>(3,399,209)</u>
Balance as at 31 March 2020	<u>720,000</u>

Note 28. Equity - Non-controlling interest

The non-controlling interest relates to 50% shareholding in the Locumsgroup.

	Consolidated	
	2020	2019
	\$	\$
Non-controlling interest	-	<u>1,270,711</u>

Vertua's interest in Locumsgroup was sold during the period. Refer to note 9 for further detail.

Note 29. Equity - Dividends

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

Note 30. 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 Group's investment 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, totalling \$3,931,124 (FY2019: \$4,889,500), are units held in financial assets and publicly traded securities. An increase/decrease in price of 500 (FY2019: 500) basis points would have a favourable/unfavourable effect on profit before tax of \$196,556 (FY2019: \$244,475). 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.

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 2020, the Group held no floating rate instruments.

At 31 March 2020, the Group had a variety of secured and unsecured lenders.

The Group's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and liabilities are set out below:

	2020		2019	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Consolidated				
Cash and cash equivalents	1.75%	436,966	1.75%	1,194,713
Related party payables	12.00%	<u>(3,842,239)</u>	12.00%	<u>(3,434,972)</u>
Net exposure to cash flow interest rate risk		<u><u>(3,405,273)</u></u>		<u><u>(2,240,259)</u></u>

Note 30. Financial instruments (continued)

For the Group the cash and cash equivalents on hand, totalling \$436,966 (2019: \$1,194,713), are deposits held at call with financial institutions. An official increase/decrease in interest rates of 100 (FY2019: 100) basis points would have a favourable/unfavourable effect on profit before tax of \$4,370 (FY2019: \$11,947). 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. 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.

	Consolidated	
	2020	2019
	\$	\$
Classes of financial assets - carrying amounts		
Cash and cash equivalents	436,966	1,194,713
Accounts receivable	2,682,084	3,074,270
Financial assets	<u>3,931,124</u>	<u>4,889,500</u>
 Total	 <u>7,050,174</u>	 <u>9,158,483</u>

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 and credit risk is deemed to be low.

The Group has a credit risk with respect to the loan advance to Defender No.2 Fund Pty Ltd as a syndication to loan funds to American Patriot Oil & Gas Limited.

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 2020. Securities held in AOW have recorded a fair value loss adjustment to \$0.001 per share in light of the stock being delisted from the ASX. The financial assets are managed by Vertua. Management regularly review the investments for impairment, and as at 31 March 2020 management have made an assessment that no impairment charges on any other financial assets 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.

Remaining contractual maturities

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

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Note 30. Financial instruments (continued)

Consolidated - 2020	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<i>Financial assets - cash flows realisable</i>						
Cash and cash equivalents	1.75%	436,966	-	-	-	436,966
Trade receivables	-	2,682,084	-	-	-	2,682,084
Related party receivables	-	566,805	158,400	2,289,796	-	3,015,001
Financial assets	-	920,000	3,011,124	-	-	3,931,124
<i>Financial liabilities - due for payment</i>						
Trade payables	-	(977,912)	-	-	-	(977,912)
Related party payables	12.00%	-	-	(3,842,239)	-	(3,842,239)
Financial Liabilities	10.00%	(65,117)	(667,283)	-	-	(732,400)
Lease liability	6.00%	(144,303)	(76,082)	-	-	(220,385)
Total non-derivatives		<u>3,418,523</u>	<u>2,426,159</u>	<u>(1,552,443)</u>	<u>-</u>	<u>4,292,239</u>

Consolidated - 2019	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<i>Financial assets - cash flows realisable</i>						
Cash and cash equivalents	1.75%	1,194,713	-	-	-	1,194,713
Trade receivables	-	3,074,270	-	-	-	3,074,270
Related party receivables	-	194,308	-	1,325,261	-	1,519,569
Financial assets	-	520,000	4,369,500	-	-	4,889,500
<i>Financial liabilities - due for payment</i>						
Trade payables	-	(836,032)	-	-	-	(836,032)
Related party payables	12.00%	-	-	(3,434,972)	-	(3,434,972)
Financial Liabilities	10.00%	(577,859)	(542,667)	-	-	(1,120,526)
Total non-derivatives		<u>3,569,400</u>	<u>3,826,833</u>	<u>(2,109,711)</u>	<u>-</u>	<u>5,286,522</u>

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

Vertua Limited
Notes to the financial statements
31 March 2020

Note 31. 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

Consolidated – 2020	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Assets</i>				
Financial assets (see Note 12 & 15)	-	1,775,118	2,322,005	4,097,123
Total assets	-	1,775,118	2,322,005	4,097,123
<i>Liabilities</i>				
Secured liabilities (see Note 25)	-	-	3,842,239	3,842,239
Total liabilities	-	-	3,842,239	3,842,239
Consolidated – 2019				
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Assets</i>				
Financial assets (see Note 12 & 15)	-	1,916,227	2,973,273	4,889,500
Total assets	-	1,916,227	2,973,273	4,889,500
<i>Liabilities</i>				
Secured liabilities (see Note 25)	-	-	3,434,972	3,434,972
Total liabilities	-	-	3,434,972	3,434,972

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:

Consolidated	Financial assets \$	Investment properties \$	Asset held for sale \$	Total \$
Balance at 31 March 2018	1,819,674	1,139,253	2,727,414	5,686,341
Additions	1,420,199	-	-	1,420,199
Disposals	(266,600)	-	-	(266,600)
Transfers	-	(1,679,308)	1,679,308	-
Fair value gains	-	540,055	-	540,055
Gain on disposal	-	-	493,278	493,278
Disposals	-	-	(4,900,000)	(4,900,000)
Balance at 31 March 2019	2,973,273	-	-	2,973,273
Additions	1,702,012	-	-	1,702,012
Disposal	(2,353,280)	-	-	(2,353,280)
Balance at 31 March 2020	2,322,005	-	-	2,322,005

Note 31. Fair value measurement (continued)

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

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

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

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

Note 32. Key management personnel disclosures

Directors

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

Christopher Bregenhøj
Benjamin Doyle
James Manning

Compensation

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	Consolidated	
	2020	2019
	\$	\$
Short-term employee benefits	610,558	582,997
Post-employment benefits	31,843	28,590
Long-term benefits	19,520	17,928
	<u>661,920</u>	<u>629,515</u>

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 2020 and the year ended 31 March 2019.

Vertua Limited
Notes to the financial statements
31 March 2020

Note 33. 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	
	2020	2019
	\$	\$
<i>Audit services -</i>		
Audit or review of the financial statements	102,574	154,000
<i>Other services -</i>		
Corporate advisory	-	6,500
Preparation of the tax return & tax advice	46,500	65,000
	46,500	71,500
	149,074	225,500

Note 34. Related party transactions

Parent entity

Vertua Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 37.

Key management personnel

Disclosures relating to key management personnel are set out in note 32 and the remuneration report included in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2020	2019
	\$	\$
Net income, management and administration fees:		
First Equity Tax Pty Ltd	202,297	30,000
First Equity Partners	30,000	30,000
Ben Doyle	12,000	12,000
Defender Investment Management Pty Ltd	214,931	210,055
Interest payment:		
Manning Capital Pty Ltd	-	-
Manning Capital Holdings Pty Ltd	444,550	486,502
Interest receipts:		
Defender No.2 Fund Pty Ltd	278,953	205,488

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. In addition, First Equity Tax Pty Ltd invoiced related parties to the sum of \$202,297 during the year for tax related work.

Vertua Limited
Notes to the financial statements
31 March 2020

Note 35. Related party transactions (continued)

Interest payments:

Vertua Limited has paid interest payments on related loan expense.

Loans to and from related parties:

There is a related party payable of \$3,842,239 to Manning Capital Holdings Pty Ltd as at 31 March 2020 (FY2019: \$3,434,972)

There is a related party receivable of \$2,289,796 from Defender No.2 Fund Pty Ltd as at 31 March 2020 (FY2019: \$1,325,261)

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

	Consolidated	
	2020	2019
	\$	\$
Loan from Manning Capital Holdings Pty Ltd	3,842,239	3,434,972
Loan to Defender No.2 Fund Pty Ltd	(2,289,796)	(1,325,261)

Terms and conditions

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

Note 35. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2020	2019
	\$	\$
Profit after income tax	(3,181,158)	542,274
Total comprehensive income	(3,181,158)	542,274

Statement of financial position

	Parent	
	2020	2019
	\$	\$
Total current assets	7,009,414	9,335,438
Total assets	15,502,341	17,498,133
Total current liabilities	968,179	490,137
Total liabilities	4,919,679	3,742,349
Equity		
Issued capital	12,121,402	8,706,194
Convertible notes	720,000	4,119,209
Retained profits/(accumulated losses)	(2,258,740)	858,746
Total equity	10,582,662	13,684,149

Note 35. Parent entity information (continued)

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

The Group relinquished its guarantees during the FY2020 year.

Contingent liabilities

The parent entity had no contingent liabilities as at 31 March 2020 or 31 March 2019.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 31 March 2020 and 31 March 2019.

Significant accounting policies

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

Vertua Limited
Notes to the financial statements
31 March 2020

Note 36. Interests in consolidated controlled entities

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

Name	Principal place of business / Country of incorporation	Ownership interest	
		2020 %	2019 %
Corporate:			
Vertua Investments Limited	Australia	100.00%	100.00%
Vertua Nominees Pty Ltd	Australia	0.00%	100.00%
Investment Segment:			
Defender Asset Management Pty Ltd	Australia	100.00%	100.00%
Vertua Opportunities Pty Ltd	Australia	100.00%	100.00%
Professional Services Segment:			
First Equity Associates Pty Ltd	Australia	100.00%	100.00%
First Equity Tax Pty Ltd	Australia	100.00%	100.00%
First Equity Audit Pty Ltd	Australia	100.00%	100.00%
First Equity Advisory Pty Ltd	Australia	100.00%	100.00%
First Equity Services Pty Ltd	Australia	100.00%	100.00%
Locumsgroup Asset Management Pty Ltd	Australia	0.00%	50.00%
Locumsgroup Sydney Pty Ltd	Australia	0.00%	50.00%
Locumsgroup Core Unit Trust	Australia	0.00%	50.00%
Locumsgroup Administrative Services Trust	Australia	0.00%	50.00%
Locumsgroup Finance Trust No. 2	Australia	0.00%	50.00%
Braxton Unit Trust	Australia	0.00%	50.00%
Locumsgroup Private Accounting Services Pty Ltd	Australia	0.00%	50.00%
Property Segment:			
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%	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%
FPG No. 6 Pty Ltd	Australia	100.00%	0.00%

Vertua Limited
Notes to the financial statements
31 March 2020

Note 37. Interests in unconsolidated entities

As detailed in Note 2, Vertua Limited is an investment entity. The table below shows the entities that the Group does not consolidate but in which it holds a controlling interest:

Name	Principal place of business/ Country of incorporation	Ownership and voting interest	
		2020 %	2019 %
Property investments			
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%
FPG No. 6 Pty Ltd	Australia	100.00%	-
Non-Property Investments			
American Patriot Oil & Gas Limited	Australia	13.15%	13.15%
Cosmos Capital Limited	Australia	5.70%	0.00%

Note 38. Reconciliation of loss after income tax to net cash from/(used in) operating activities

	Consolidated	
	2020 \$	2019 \$
Loss after income tax (expense)/benefit for the year	(2,199,542)	(167,991)
Adjustments for:		
Depreciation and amortisation	721,630	559,554
Deemed interest on convertible note	-	149,570
Accrued interest on related party loans	444,550	226,039
Impairment expenses	-	520,000
Gains on bargain purchases	-	(258,910)
Losses / (Gains) on disposal of discontinuing operations	1,022,501	(733,439)
Net fair value gains on financial assets and assets held for sale	(881,377)	(949,528)
Change in operating assets and liabilities:		
Decrease in trade and other receivables	1,155,162	1,098,346
Decrease in inventories and work in progress	-	(265,975)
Movement in deferred tax position	452,820	742,318
Decrease in prepayments and sundry debtors	34,835	78,064
Decrease in trade and other payables	293,901	407,865
Movement in deferred income / consideration receivable	287,263	(1,091,828)
Net cash from/(used in) operating activities	<u>1,331,743</u>	<u>314,085</u>

Vertua Limited
Notes to the financial statements
31 March 2020

Note 39. 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	
	2020	2019
	\$	\$
<i>Earnings per share for loss from continuing operations</i>		
Profit/(loss) after income tax from continuing operations	(1,177,041)	(709,928)
Profit/(loss) after income tax from discontinued operations	<u>(1,022,501)</u>	<u>(263,851)</u>
Profit/(loss) after income tax	<u>(2,199,542)</u>	<u>(973,779)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	61,887,822	25,718,926
Adjustments for calculation of diluted earnings per share:		
Potential conversion of convertible notes	3,600,000	30,609,843
Options over ordinary shares	<u>28,892,003</u>	<u>13,161,019</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>94,379,825</u>	<u>69,489,788</u>

Earnings per share for loss from continuing operations attributable to the owners of Vertua Limited

	Cents	Cents
Basic earnings per share	(1.90)	(2.76)
Diluted earnings per share	(1.25)	(1.02)

Earnings per share for loss from discontinued operations attributable to the owners of Vertua Limited

	Cents	Cents
Basic earnings per share	(1.65)	(1.03)
Diluted earnings per share	(1.08)	(0.38)

Earnings per share for profit attributable to the owners of Vertua Limited

	Cents	Cents
Basic earnings per share	(3.55)	(3.79)
Diluted earnings per share	(2.33)	(1.40)

Note 40. Events after the reporting period

In July 2020, Fiducia Group converted the deposit paid and some outstanding payables due from a new development project to equity, totalling \$260,000. The project is FPG No. 6 Pty Ltd and it is for a development on the central coast of New South Wales.

No other matter or circumstance has arisen since 31 March 2020 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.

Vertua Limited
Directors' declaration
31 March 2020

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 2020 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 Bregenhoj
Chairman

30 July 2020

Vertua Limited

Independent auditor's report to shareholders

Report on the Audit of the Financial Report

Qualified 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 2020, 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, notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraphs below, 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 2020 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 Qualified Opinion

Defender No 2. Fund Pty Ltd loan recoverability (Note 14)

We were unable to obtain sufficient appropriate audit evidence to opine on the recoverability of a \$2,289,796 loan (the 'Vertua loan') advanced to Defender No.2 Fund Pty Ltd ('Defender'). The Vertua loan forms part of syndicated loan arrangement between Defender and American Patriot Oil and Gas Limited ("AOW"). Vertua's loan recourse is limited to Defender's ability to recover its loan from AOW.

First Equity trade receivable recoverability

We were likewise unable to obtain sufficient appropriate audit evidence to opine on the recoverability of certain trade receivables over 90 days past due to First Equity Tax (a wholly owned subsidiary of the Group) from AOW, amounting to \$213,310.

Inability to assess AOW's financial strength

AOW is an Australian company with material oil and natural gas exploration and development assets, located largely in Texas / USA. Previously an ASX listed company, AOW was delisted during May 2020, following a lengthy suspension. The last available public records of AOW are the financial statements for the 6-month period review to 31 December 2018, issued during January 2020. The review report included a paragraph detailing a material uncertainty relating to going concern.

ACCOUNTANTS & ADVISORS

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In addition to any historical matters within AOW, further uncertainty resulting from the COVID-19 pandemic has arisen in the form of oil price and demand variability for oil and gas products, both parameters being key attributes of sustained profitable operations of any oil and gas Company. Travel restrictions imposed between Australia and the USA, combined with additional challenges around civil unrest in the USA have made it difficult for management to provide supporting evidence.

We have therefore been unable to obtain sufficient appropriate audit evidence of AOW's ability to directly and / or indirectly service its loan and trade commitments in the normal course of trading.

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 (including Independence Standards)* (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 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 (KAMs) 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.

1. SALE OF LOCUMSGROUP	
Area of focus Refer also to Note 9	How our audit addressed it
<p>Effective 29 February 2020, the Group sold their total unitholding in the Vertua Investments Unit Trust, resulting in disposal of the Group's entire holding in the Locumsgroup business unit.</p> <p>Due to the inherent complexity of deconsolidating an entire division from the group, this was a key focus area for the audit.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> — Reviewing the terms and conditions of the sale as executed in the sale deed — Evaluating management's deconsolidation workings — Assessing any deferred consideration receivable for recoverability — Assessing the classification of the deconsolidated operations as discontinued operations <p>We have also considered and assessed the adequacy of the Group's disclosures in respect of the divisional sale.</p>

2. BASIS FOR TAXATION CALCULATIONS

Area of focus Refer also to Notes 8 & 20	How our audit addressed it
<p>During the 2020 financial year, the Group has recognised:</p> <ul style="list-style-type: none"> — Deferred tax assets in relation to assessable revenue and capital losses generated during the year — Deferred tax liabilities relating to fair value uplifts on unlisted investments (see 4 below) assessed during the year <p>The balances above were recognised on the basis that conditions required by the same business test (SBT) were satisfied.</p> <p>This basis has a material impact and requires a high level of judgement and expertise.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> — Assessment of the completeness and accuracy of the client's tax workings, including deferred tax calculations — 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 also assessed the adequacy of the Group's disclosures in respect of the basis for the taxation calculations.</p>

3. ASSESSMENT OF THE CARRYING VALUE OF INTANGIBLE ASSETS

Area of focus Refer also to Note 18	How our audit addressed it
<p>The Group has \$1,946,006 of intangible assets including:</p> <ul style="list-style-type: none"> — Customer relationships amounting to \$781,938 — Software amounting to \$142,371 — Trademarks amounting to \$2,640 — Goodwill of \$1,019,057 <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>These recoverable amounts use 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>Our audit procedures included:</p> <ul style="list-style-type: none"> — Evaluating the Group's budgeting procedures (upon which the forecasts are based) — Assessing the principles and integrity of the cash flow models — Evaluating the adequacy of impairment charges, where recognised — Consulting our own valuation specialists when considering the appropriateness of the discount rates and the long-term growth rates — Reviewing the historical accuracy by comparing actual results with the original forecasts <p>We have also assessed the adequacy of the Group's disclosures in respect of the intangible assets and any related impairments.</p>

4. ASSESSMENT OF THE FAIR VALUE OF INVESTMENTS

Area of focus Refer also to Notes 12 & 15 & 31	How our audit addressed it
<p>The Group's property division makes investments into unlisted property unit trusts, at the higher-end of the market.</p> <p>The Group's investment division also made investments in listed and unlisted equities during the year ended 31 March 2020.</p> <p>At year-end, the investment portfolio held by the Group amounts to \$3,931,124; not including the loan to Defender No2 Fund referred to in the Basis of Qualified Opinion paragraph above.</p> <p>The value of the investments is reliant on the stability and growth in value of several markets and is therefore subject to fluctuation.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> — Assessing the appropriate classification of the overall investment portfolio components — Evaluating the fair value assessments prepared by the Group on unlisted investments, considering current market conditions — Assessing the adequacy of impairment review procedures relating to the investments portfolio — Verification of settlements subsequent to year-end <p>We have also assessed the adequacy of the Group's disclosures in respect of the investments in both listed and unlisted portfolio holdings.</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 2020 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.

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our independent auditor's report.

Report on the Remuneration Report

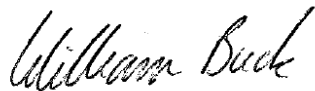
Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 5 to 9 of the Directors' report for the year ended 31 March 2020.

In our opinion, the Remuneration Report of Vertua Limited, for the year ended 31 March 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company 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.



William Buck
Accountants & Advisors
ABN 16 021 300 521



Rainer Ahrens
Partner

Sydney, 30 July 2020

Vertua Limited
Shareholder Information

Vertua Limited has on issue 61,907,822 fully paid Class A shares held by 315 holders as at 31 March 2020. All Class A shares of the Company carry one vote per share.

Distribution of equitable securities

Analysis of number of equitable securities by size of holding:

	Number of holders	Shares	% of issued capital
1,001 to 5,000	3	15,000	0.95
5,001 to 10,000	179	3,734,061	56.83
10,001 to 100,000	16	57,154,886	5.08
100,001 and over	117	983,875	37.14
	<u>315</u>	<u>61,887,822</u>	<u>100</u>
Holding less than a marketable parcel	<u>-</u>	<u>-</u>	<u>-</u>

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 2020 are listed below:

Investor name	Total shares	% of issued capital
HOLICARL PTY LTD	17,059,358	27.56
MANNING CAPITAL HOLDINGS PTY LTD	16,640,569	26.88
LILY BORDEAUX PTY LTD	6,653,150	10.75
A C N 623 179 680 PTY LTD	3,200,000	5.17
WEALTH HOLDING TRUSTEES LIMITED	2,774,850	4.48
WOODVILLE SUPER PTY LIMITED	2,624,646	4.24
WOLTER MR PTY LTD	2,552,050	4.12
ESPLANADE SUPER FUND PTY LTD	1,577,273	2.55
HOLICARL PTY LTD	1,350,000	2.18
FRANCIS PACE & DIANNA PACE	1,300,000	2.10
CALVERT INVESTMENTS PTY LTD	601,681	0.97
MR STUART PAGE	332,273	0.54
KIZUN PTY LTD	125,400	0.20
BENJAMIN JOHN DOYLE & MARIE CHRISTINA ASHLEY	125,000	0.20
MR IAN CRAWFORD MAXWELL & MRS PHILIPPA JANE MAXWELL	125,000	0.20
WEXFORD SUPER PTY LTD	113,636	0.18
MR WILLIAM LYON	100,000	0.16
PETER SCHAAP & PAULINE SCHAAP	90,000	0.15
HANK CORPORATION PTY LTD	80,000	0.13
MS JOANNE MAREE BAULCH	80,000	0.13
MR CRAIG ALEXANDER GODHAM	72,000	0.12
	<u>57,644,356</u>	<u>93.11</u>

Vertua Limited
Shareholder Information

Substantial shareholders

Substantial shareholders are those who, with their associates control greater than 5% of the issued capital of the Company. As at 31 March 2020, the company is aware of the following substantial shareholders:

Investor name	Total shares	% of issued capital
MANNING CAPITAL HOLDINGS PTY LTD	19,265,215	31.12%
HOLICARL PTY LTD	18,409,358	29.74%
LILY BORDEAUX PTY LTD	6,653,150	10.75%
A C N 623 179 680 PTY LTD	3,200,000	5.17%
	<u>47,527,723</u>	<u>76.77%</u>

Vertua Group - Options on issue

Option Holder	Closing FY2019	Transferred	Granted/ Issued	Exercised	Closing FY2020
Manning Capital Holdings Pty Ltd	13,161,019	-	15,730,984	-	28,892,003
Total	<u>13,161,019</u>	<u>-</u>	<u>15,730,984</u>	<u>-</u>	<u>28,892,003</u>

Vertua Group - Convertible notes on issue

Convertible Note Holder	Closing FY2019	Granted/ (Converted)	Closing FY2020
Holicarl Pty Ltd	11,468,458	(11,468,458)	-
Lily Bordeaux Pty Ltd	3,582,699	(3,582,699)	-
Manning Capital Holdings Pty Ltd	11,958,686	(11,958,686)	-
Calvert Investments Pty Ltd	3,600,000	-	3,600,000
Total	<u>30,609,843</u>	<u>(27,009,843)</u>	<u>3,600,000</u>