



V E R T U A

Vertua Limited

ACN 108 076 295

NOTICE OF 2019 ANNUAL GENERAL MEETING and EXPLANATORY STATEMENT

Date and Time of Meeting

Thursday, 29 August 2019 at 10.00 am (AEST)

Venue

Level 5, 97 Pacific Highway
North Sydney NSW 2060

These documents should be read in their entirety.

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

NOTICE OF 2019 ANNUAL GENERAL MEETING

Notice is hereby given that an Annual General Meeting of Shareholders of Vertua Limited ACN 108 076 295 (the **Company**) will be held on Thursday, 29 August 2019, at 10.00 am (AEST) at Level 5, 97 Pacific Highway, North Sydney NSW 2060 (the **Meeting**).

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

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

ORDINARY BUSINESS

1. Item 1: Financial statements and reports

To receive and consider the Annual Report of the Company for the financial year ended 31 March 2019, which includes the financial statements of the Company, the Directors' Report and the Auditor's Report.

2. Resolution 1: Remuneration report

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

"That, for the purposes of section 250R(2) of the Corporations Act 2001 and for all other purposes, the Company adopts the Remuneration Report for the financial year ended 31 March 2019 included in the Directors' Report of the Company for that year."

Voting exclusion statement

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

- (a) a member of the key management personnel (**KMP**) details of whose remuneration are included in the 2019 Remuneration Report; or
- (b) a closely related party (as that term is defined in the *Corporations Act 2001*) (such as close family members of any controlled companies) (**Closely Related Party**) of such a member of the KMP.

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

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

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

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

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

"That Mr Benjamin Doyle, who retires by rotation in accordance with rule 12.9 of the Constitution of the Company, and being eligible, offers himself for re-election as a

Director, be re-elected as a Director of the Company effective at the close of this meeting."

Voting exclusion statement

All Shareholders may vote on this Resolution.

SPECIAL BUSINESS

4. Resolution 3: Ratification of past share placements

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

"That, for the purpose of NSX Listing Rule 6.25(1) and for all other purposes, the following issues of Shares to the following persons are ratified:

- (a) 1,300,000 Shares issued to Mr Frank Pace on 20 April 2018 at \$0.20 per Share;*
- (b) 50,000 Shares issued to Mr Christos Kyriakides, the Chief Financial Officer of Vertua Limited, on 18 January 2019 at \$0.20 per Share;*
- (c) 75,000 Shares issued to Mr Stuart Page, Chief Executive Officer of Horizon Print Management Pty Ltd, on 18 January 2019 at \$0.20 per Share; and*
- (d) 2,500,000 Shares issued to Wolter MR Pty Ltd on 14 February 2019 at \$0.20 per Share.*

Voting exclusion statement

All Shareholders may vote on this Resolution.

5. Resolution 4: Additional placement capacity

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

"That, for the purpose of NSX Listing Rule 6.25(1) and for all other purposes, the issue of up to 60,000,000 Shares on the terms set out in the Explanatory Statement is approved."

Voting exclusion statement

All Shareholders may vote on this Resolution.

6. Resolution 5: Approval of change in nature and scale of activities

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

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

Voting exclusion statement

All Shareholders may vote on this Resolution.

BY ORDER OF THE BOARD



Christopher Bregenhoj

Chairman

30 July 2019

IMPORTANT INFORMATION

Voting entitlement

For the purpose of regulation 7.11.37 of the *Corporations Regulations 2001*, the Directors have determined that the shareholding of each Shareholder for the purposes of ascertaining their voting entitlements for the Meeting will be as it appears on the Company's Share Register at 7:00pm (AEST) on Tuesday, 27 August 2019 (the **Entitlement Time**).

Accordingly, only those persons registered as holders of Shares at the Entitlement Time will be entitled to attend and vote at the Meeting as Shareholders.

Transactions registered after that time will be disregarded in determining Shareholders entitled to attend and vote at the Meeting.

Required majorities

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

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

On a show of hands every Shareholder has one vote, and on a poll, every Shareholder has one vote for each Share held.

Appointment of proxies

- (a) A Proxy Form accompanies this Notice.
- (b) A Shareholder entitled to attend and vote at the Meeting has the right to appoint a proxy.
- (c) A proxy need not be a Shareholder of the Company.
- (d) Where more than one proxy is appointed by a Shareholder who is entitled to do so, each proxy must be appointed to represent a specified proportion of the Shareholder's voting rights.
- (e) To be valid, the proxy form must be received by the share registrar of the Company, Link Market Services Limited, by no later than 10:00am (AEST) on Tuesday, 27 August 2019 (48 hours prior to the Meeting).

The proxy form can be sent to Link Market Services:

By post: Vertua Limited
c/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia

By facsimile: +61 2 9287 0309

Online: Login to www.linkmarketservices.com.au using the holding details as shown on the proxy form. Select "Voting" and follow the prompts to lodge your vote.

Shareholders will need their Security holder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the proxy form.

Enquiries

All enquiries in relation to the Meeting, the Notice or the Explanatory Statement should be directed to the Chief Financial Officer, Mr Christos Kyriakides, on +61 2 8624 6110.

EXPLANATORY STATEMENT

IMPORTANT INFORMATION

This Explanatory Statement has been prepared for the information of Shareholders of Vertua Limited ACN 108 076 295 (the **Company**) in connection with the Resolutions and other business to be considered at the Annual General Meeting of Shareholders convened to be held at the Company's offices on Thursday, 29 August 2019 at 10 am (AEST) at Level 5, 97 Pacific Highway, North Sydney NSW 2060 (the **Meeting**).

This Explanatory Statement has been prepared for the benefit of Shareholders in accordance with the applicable provisions of the NSX Listing Rules and the *Corporations Act 2001* to provide them with sufficient information to ensure that they are informed of all substantial matters relevant to the Resolutions and other business proposed to be considered at the Meeting as notified in the accompanying Notice of Annual General Meeting (the **Notice**).

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

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

INTRODUCTION

The Meeting is being held so that:

- (a) the Directors can table the financial statements and reports of the Company, and the report of the Company's auditor, for the financial year ended 31 March 2019; and
- (b) Shareholders can vote on the re-election of Directors.

This is known as the ordinary business of the Meeting.

Additionally, the special business of the Meeting is to:

- (a) ratify past placements of Shares to replenish the Company's current placement capacity;
- (b) approve an additional placement capacity of up to 60,000,000 Shares over the next 12-month period; and
- (c) approve a change in the nature and scale of activities of the Company arising as a result of the decision to become an investment entity and (subject to shareholder approval of the additional placement capacity) the potential increase in the size of the Company which would occur from acquisitions of businesses wholly or partly funded by the issue of shares under the additional placement capacity.

ORDINARY BUSINESS

1. ITEM 1: FINANCIAL STATEMENTS AND REPORTS

1.1 Background to Item 1

The *Corporations Act 2001* and the Constitution of the Company require the financial statements, Directors' Report (including the remuneration report) and Auditor's Report for the financial year ended 31 March 2019 to be tabled at the Meeting, and the

Constitution of the Company provides for these statements and reports to be received and considered at the Meeting.

1.2 Corporations Act 2001 requirements

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

However, the Meeting provides a forum for Shareholders to ask questions and make comments on the Company's financial statements and reports and on the business operations of the Company for the financial year ended 31 March 2019.

In addition, in accordance with section 250T of the *Corporations Act 2001*, a representative of the Company's auditor is required to attend the Meeting.

Shareholders may ask the auditor's representative questions at the Meeting on the following matters:

- (a) the conduct of the audit;
- (b) the preparation and content of the auditor's report;
- (c) the accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- (d) the independence of the auditor in its conduct of the audit.

Shareholders may submit written questions to the auditor on the above items. Any written questions to the auditor must be submitted to the Company by no later than 5.00pm on the fifth business day before the date of the Meeting, i.e., by 5.00pm on 24 August 2019.

2. RESOLUTION 1 - REMUNERATION REPORT

2.1 Shareholder approval

Pursuant to section 250R(2) of the *Corporations Act 2001*, the Directors are seeking the approval of Shareholders to adopt the Remuneration Report for the financial year ended 31 March 2019, by way of an advisory resolution.

2.2 Corporations Act 2001 requirements

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

The Remuneration Report forms part of the Directors' Report, which is contained in the Annual Report of the Company for the financial year ended 31 March 2019.

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

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

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

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

Furthermore, if at least 25% of the votes cast on Resolution 1 are voted against adoption of the Remuneration Report at the Meeting, the Company is required to put to Shareholders at the Company's 2020 Annual General Meeting a resolution (**a Spill Resolution**) proposing the calling of another general meeting (**a Spill Meeting**) to consider the appointment of Directors of the Company. However, a Spill Resolution will only be put to the vote at the Company's 2020 Annual General Meeting if at least 25% of votes are also cast against the adoption of the 2020 Remuneration Report at the 2020 Annual General Meeting.

If a Spill Resolution is put to vote at the Company's 2020 Annual General Meeting, and more than 50% of Shareholders vote in favour of the Spill Resolution, the Company is required to convene a Spill Meeting within 90 days of the Company's 2020 Annual General Meeting. All of the Directors who were in office when the Company's 2020 Directors' Report was approved, other than the Managing Director of the Company, would cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting. Following the Spill Meeting, those persons whose election or re-election as Directors is approved will be the Directors of the Company.

3. RESOLUTION 2 - RE-ELECTION OF DIRECTOR – MR BENJAMIN DOYLE

3.1 Shareholder approval

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

3.2 Company Constitution requirements

Rule 12.9 of the Constitution requires that one-third of the Directors of the Company, other than the Managing Director and those retiring having filled a casual vacancy, retire at each annual general meeting of the Company. Rule 12.9 requires that the Directors who retire pursuant to the rule are those who have held office the longest since being elected or appointed.

Mr Doyle is the CEO & Founder of Fiducia Group and has successfully led his team of experts in acquisition, renovation, design and marketing to build a proven and solid track record of property accomplishments in the Australian real estate market. In the past 16 years this has included acquiring, reselling and managing over \$350 million worth of property through the Fiducia Group of companies. With a total of over 600 apartments and \$50+ million in renovations. Ben is a licensed REINSW Real Estate Agent. Ben was appointed as the Director of Vertua Ltd in 2009.

3.3 Recommendation

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

SPECIAL BUSINESS

4. RESOLUTION 3 – RATIFICATION OF PAST SHARE PLACEMENTS

4.1 Shareholder approval

Pursuant to NSX Listing Rule 6.25(1), the Directors are seeking the ratification by Shareholders of the issue of an aggregate of 3,925,000 Shares during the 12-month period ended 31 March 2019.

4.2 NSX Listing Rules, Company Constitution and *Corporations Act 2001* requirements

The Directors have issued Shares to meet staff commitments and performance bonus obligations and to raise funds for acquisition, general working capital and investment purposes over the 12-month period ended 31 March 2019. The Directors propose to raise further funds by obtaining shareholder approval for these past issues and thereby replenishing the Company's 15% annual placement capacity.

Share placement capacity

NSX Listing Rule 6.25(1), in conjunction with rule 2.1 of the Constitution, permits the Directors to issue Shares without shareholder approval if the Shares are issued within the Company's 15% annual placement capacity.

The Directors are seeking ratification of all share placements within the Company's placement capacity over the 12-month period ended 31 March 2019. Details of these share placements are set out below.

If these past share placements are approved, the Company's 15% annual placement capacity will be replenished and the Directors will again be able to issue additional Shares within its placement capacity without obtaining specific shareholder approval.

Past share placements

On 20 April 2018, the Directors issued 1,300,000 Shares to Mr Frank Pace for a total consideration of \$260,000. The Shares were issued for general working capital purposes.

On 18 January 2019, the Directors issued Shares to staff relating to various commitments and performance bonus obligations of the Company. The Shares were issued as follows:

- (a) 50,000 shares issued to Mr Christos Kyriakides, the Chief Financial Officer of Vertua Limited at a deemed issue price of \$0.20 per Share; and
- (b) 75,000 Shares to Mr Stuart Page, Chief Executive Officer of Horizon Print Management Pty Ltd, at a deemed issue price of \$0.20 per Share.

On 14 February 2019, the Directors issued 2,500,000 Shares to Wolter MR Pty Ltd, an entity associated with Mr Darron Wolter, Operations Manager for the Vertua Opportunities Fund (VOF), for a total consideration of \$500,000.

These Shares, totalling 3,925,000, were all issued on the same terms as, and rank equally with, all other Shares on issue.

All Shares were issued under section 708 of the *Corporations Act 2001* without the need to issue a prospectus or disclosure document under Chapter 6D of the *Corporations Act 2001*. No Shares were issued to a related party within the meaning of the *Corporations Act 2001*.

If Resolution 3 is not passed, then the Company's 15% annual placement capacity will replenish progressively on the anniversary of each share issue. The Directors seek the flexibility to issue additional Shares prior to those anniversary dates.

4.3 Recommendation

The Directors unanimously recommend that Shareholders vote in favour of Resolution 3.

5. RESOLUTION 4 - ADDITIONAL PLACEMENT CAPACITY

5.1 Shareholder approval

Pursuant to NSX Listing Rule 6.25(1), the Directors are seeking the approval of Shareholders to the issue of up to 60,000,000 Shares.

5.2 NSX Listing Rules, Company Constitution and Corporations Act 2001 requirements

The Directors are of the view that the Company may require further capital for investments and acquisitions, as well as for general working capital, over the next 12-month period, in addition to the 15% annual placement capacity replenished under Resolution 3. The Directors propose to raise such capital by issuing additional Shares progressively over the next 12-month period.

The Directors are considering doubling the size of the Group operations, through the acquisition of either a listed or unlisted business. The Directors have been actively seeking a suitable, value adding business to combine with the existing operations, or alternatively to expand the newly formed Investment Activities division.

In approving this additional placement capacity, Shareholders should be aware that the Directors may be able to acquire a business complementary to the existing business, on arms' length terms within the placement capacity (if approved) and without specific shareholder approval. These terms are no different to the Directors' ability to do a similar transaction up to the 15% limit, however with the increased capacity to transact with a larger number of Shares.

NSX Listing Rule 6.25(1), in conjunction with rule 2.1 of the Constitution, permits the Directors to issue Shares exceeding the Company's 15% placement capacity if shareholder approval is obtained.

The Directors are seeking an additional placement capacity to permit up to 60,000,000 Shares to be issued progressively over the next 12-month period without obtaining specific shareholder approval.

A maximum of 60,000,000 Shares would be issued at a minimum price of \$0.15 per Share. The Shares would be issued under section 708 of the *Corporations Act 2001* without Chapter 6D disclosure.

The Shares would be issued on the same terms as, and rank equally with, all pre-existing Shares on issue. All Shares are intended to be quoted on the NSX.

None of the Shares would be issued to a related party within the meaning of the *Corporations Act 2001* without further specific shareholder approval being obtained.

If the Shares are issued within the additional placement capacity, Shareholders are at risk of economic and voting dilution. In particular, there is a risk that the Shares may be issued at a price that is at a discount to the market price for those Shares on the issue date.

The following table illustrates the potential for dilution of Shareholders if Shares are issued within the Company's additional placement capacity:

Dilution table

	If none of the additional placement capacity is used	If 50% of the additional placement capacity is used	If 100% of the additional placement capacity is used
Total number of Shares quoted on the NSX if Resolution 4 is passed	61,907,822	91,907,822	121,907,822
Total funds raised if the issue price is the current market value, being \$0.20 at 17 July 2019	\$0	\$6,000,000	\$12,000,000
Total funds raised if the issue price is \$0.15	\$0	\$4,500,000	\$9,000,000
Percentage interest of a non-participating Shareholder holding 100,000 Shares	0.16%	0.11%	0.08%
Percentage interest of a non-participating Shareholder holding 500,000 Shares	0.81%	0.54%	0.41%
Percentage interest of a non-participating Shareholder holding 1,000,000 Shares	1.62%	1.09%	0.82%

Conversely, the market price for Shares may be significantly lower on the issue date than on the date of this Meeting. Additionally, the Directors may decide not to issue Shares within the additional placement capacity.

By arrangement with the NSX, if Resolution 4 is passed, the Company will make announcements to the market as soon as practicable after 50%, 75% and 100% of the additional placement capacity has been used. These announcements will be in addition to the usual NSX Quotation of Additional Securities announcements.

5.3 Recommendation

The Directors unanimously recommend that Shareholders vote in favour of Resolution 4.

6. RESOLUTION 5 – APPROVAL OF CHANGE IN NATURE AND SCALE OF ACTIVITIES

6.1 Shareholder approval

To the extent required by Rule 6.41 of the NSX Listing Rules, the Directors are seeking the approval of Shareholders for a change in the nature and scale of activities contemplated by:

- (a) the Board's decision to change the Company's scope and state of affairs to an investment entity; and
- (b) the potential increase in the size of the Company which would occur from acquisitions of businesses wholly or partly funded by the issue of shares under

the additional placement capacity which is the subject of Resolution 4 (if that Resolution is approved).

6.2 NSX LR 6.41

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

Investment entity

During the year ended 31 March 2019, the Board resolved to change the Group's scope and state of affairs to an investment entity under the definition of same in accordance with AASB 10 Consolidated Financial Statement. The Group meets the criteria of AASB 10 and the Board is of the view that the investment entity approach is a more accurate reflection of the nature of the Group's dealings. A part of the Group's strategy is to provide investment advice, raising capital to invest in assets for capital appreciation, dividend and distribution, for a defined period. The sale of Horizon Print Management during the period solidifies the Board's approach. Horizon Print Management was acquired in 2015 and subsequently sold in July 2018 resulting in a strong return for the Group and its associated investors.

Potential increase in size

As noted in section 5.2 above, the Directors are considering doubling the size of the Group operations, through the acquisition of either a listed or unlisted business. The Directors have been actively seeking a suitable, value adding business to combine with the existing operations, or alternatively to expand the newly formed Investment Activities division. This acquisition may be wholly or partly funded by funds raised from the issue of shares under the additional placement capacity which is the subject of Resolution 4 (if that Resolution is approved).

One of the requirements that NSX may impose on a NSX-listed company in such circumstances is to require the Company to obtain the approval of its shareholders. If Resolution 5 is passed, the Company will have satisfied that requirement.

Information regarding the change to becoming an investment entity and the potential increase in the scale of the Company's activities and their effects on the Company is set out below.

6.3 Guidance on NSX LR 6.41

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

6.4 Guidance on equivalent ASX listing rule

ASX has, however, published guidance on the nearest equivalent ASX listing rule, ASX LR 11.1, principally in ASX Guidance Note 12. Discussed below are matters addressed in that Note.

6.5 The change to an investment entity

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.

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).

Principles of consolidation (applied to Core entities only)

The consolidated financial statements will incorporate the assets and liabilities of all controlled entities of the Company as at the relevant balance date 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 is 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.

6.6 Financial considerations

Investment entity

As there is to be no change in the shares on issue in the Company as a result of the change, there will be no change in the substantial holders in the Company or the size of their shareholdings or relevant interests in Vertua's shares.

There may be some small administrative benefits for the Company and its controlled entities (**Group**) gained from the financial reporting perspective.

Accordingly, the Board is of the view, based on the current presentation of the financial statements that there would be no material financial impact as a result of the change on the Company and the Group.

Potential increase in size

The dilution table in section 5.2 above summarises the potential effect on share capital if either 50% or 100% of the shares under the additional placement capacity were issued.

The Board cannot at this stage provide further details on the financial impact (eg on total assets, net assets, annual revenue or profits) of a change in the scale of activities of the Company.

6.7 Current nature and scale of activities of Vertua

The principal activities of the Group for the 12 months ended 31 March 2019 are described in its 2019 Annual Report (the **Annual Report**). A copy of the Annual Report is published on the Company's website as well as on the website of the NSX. Copies of the Annual Report may also be sourced from ASIC. Those principal activities were described as property development and management services, professional services and investments.

6.8 Nature and scale of activities going forward

Whereas the Group previously operated a Property division, a Professional Services division and, until recently, a Printing division, going forward the Group now wishes to be regarded as an investment entity with a broad mandate to invest across all asset classes, industries and geographies.

The business will continue to operate a Property Division and a Professional Services division and has created a new reporting division "Investment Activities". It is envisaged that the Group will hold several investments in a variety of industries as the Board sees fit. These may include, but not limited to:

- Communication services
- Consumer discretionary
- Consumer staples
- Energy
- Financials
- Health Care
- Industrials
- Information Technology
- Materials
- Real Estate

- Utilities

By way of example, the existing property developments would fall under the “real estate” industry classification. The Group’s investment in American Patriot Oil & Gas Limited would fall under “energy” within this classification.

The Group has set out several core investment objectives, including to:

- Preserve the capital of the company
- Achieve a high real rate of return, consisting of both income and capital appreciation, which is adjusted for risk suitable to the overall group risk structure
- Provide shareholders with returns in the form of capital appreciation in the net assets of the group and fully franked dividends where applicable

Supporting these investment objectives, we have set out broad principles for current and future investment decisions:

- Our investment horizon is for the medium to long term;
- Our Company will consider short term investment horizons where the rewards balance against the risk;
- Our Company will consider both listed and unlisted investments, predominately within Australia, however we have a global outlook and investment horizon;
- Our Company’s objective is to find assets which have been mispriced for a number of reasons or present an opportunity to leverage our infrastructure and management team’s expertise
- Achieve a high real rate of return, consisting of both income and capital appreciation, which is adjusted for risk suitable to the overall group risk structure
- We may concentrate our investment portfolio, which will amplify our risks but will also present opportunities for greater returns.

6.9 Impact of change

No proposed changes to the Vertua Board

No changes to the Vertua Board are intended or anticipated to occur as a result of the change in policy and objectives.

Post-approval business model

The principal change to the Group’s business model is its increased focus on the expansion of its investment operations.

Net tangible asset backing per Vertua share

As at 31 March 2019, the net tangible asset backing per Vertua share was \$0.28. Should the change occur, the net tangible asset backing per Vertua share will not change at this point in time. The Company may issue additional capital as a result of an expansion of the investment operations, which could impact the net tangible asset backing either positively or negatively.

Post-approval dividend policy

No changes to the dividend policy of the Company are intended or anticipated to occur as a result of the change in policy.

6.10 Advantages and disadvantages of the change in policy

Set out below is a statement of the anticipated principal advantages and disadvantages of the change in accounting policy to an investment entity:

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

Advantages

The Board believe that the change in accounting policy will better reflect the nature and operations of the Company. The policy change will provide the Company with the following principal benefits:

- Simplified accounting whereby an entity is purchased and controlled for investment purposes, consolidation of accounts will not be required, rather, a single asset value holding on the Company balance sheet measured at fair value through profit and loss.
- Costs to manage the investment will be reduced as consolidation of accounts will not be required thereby reducing statutory obligations and resources required to manage the investments.
- Simplified accounting will allow the Company to invest in an array of businesses and industries ensuring diversification of industries resulting to consistent revenue flow to the Company
- By investing in more than one business or enterprise in the same industry, and in the same geographical location, the Company may benefit from synergies associated with the amalgamation of investments.
- Profit from the sale of investments will be reflected in the profit & loss in the ordinary course of business as opposed to other comprehensive income

Disadvantages

The following may be considered to be potential disadvantages of the change in accounting policy:

- Fair value assessments will be required to be conducted on at least a bi-annual basis for all investments individually. This may become a cumbersome process as the investment portfolio of the Company grows.

- The accounting policy being an allocation of fair value through profit and loss may result in volatile fluctuations of the value of the investment due to fair value assessments having to be conducted on at least a bi-annual basis
- Investments should have a clearly defined exit time and strategy in order to adhere to the AASB standards. The time constraint may be a disadvantage where the Company may have to divest the investment at an inopportune point in time

The Board has carefully weighed the advantages and the disadvantages of the change in accounting policy and is strongly of the belief that the advantages of the change in accounting policy outweigh its disadvantages.

6.11 Directors' interests

No Director has any interest in the outcome of the resolution that he does not have in common with Shareholders as a class.

6.12 Requisite majority

Resolution 5 must be passed as an ordinary resolution. That is, the resolution needs only to be passed by more than 50% of all votes cast by Shareholders present and voting, and being entitled to do so, on this resolution. All Shareholders may vote on the resolution.

6.13 Recommendation

Your Directors unanimously recommend that you vote in favour of this resolution.

6.14 Voting exclusion statement

All Shareholders may vote on this resolution.

GLOSSARY

In this Explanatory Statement the following terms have the meaning set out below:

ACN	Australian Company Number.
AEST	Australian Eastern Standard Time.
ASIC	Australian Securities and Investments Commission.
ASX	ASX Limited
Company	Vertua Limited ACN 108 076 295 of Level 5, 97 Pacific Highway, North Sydney, New South Wales 2060.
Directors and Board	The directors of the Company as at the date of the Notice and Explanatory Statement.
Entitlement Time	7:00 pm (AEST) on 27 August 2019.
Explanatory Statement	The Explanatory Statement accompanying the Notice.
Group	The Company and its controlled entities.
Investments	Vertua Investments Ltd ACN 101 816 353
Meeting	The Annual General Meeting of the Company convened to be held on 29 August 2019 at 10.00 am (AEST) at the Company's offices, Level 5, 97 Pacific Highway, North Sydney, New South Wales 2060.
Notice	The notice convening the 2019 Annual General Meeting of Shareholders of the Company.
NSX	National Stock Exchange of Australia Limited ACN 000 902 063 and the financial market of which it operates of Level 3, 1 Bligh Street, Sydney, New South Wales 2000.
NSX Listing Rules	The official listing rules of NSX and any other rules of NSX which are applicable while the Company is admitted to the official list of NSX, each as amended or replaced from time to time, except to the extent of any express written waiver by NSX.
Remuneration Report	The remuneration report of the Company, included in the Directors' Report for the financial year ended 31 March 2019.
Resolutions	The resolutions the subject of the Notice.
Share	A fully paid A Class share in the capital of the Company.
Shareholder(s)	A person or company registered in the register of members of the Company as the holder of one or more Shares as at the Entitlement Time.
Spill Resolution	The resolution required by the <i>Corporations Act 2001</i> to be put to Shareholders at the 2020 Annual General Meeting of the Company proposing the calling of a Spill Meeting to consider the appointment of Directors of the Company.
Spill Meeting	The general meeting of Shareholders required to be convened by the Company within 90 days of the Company's 2020 Annual General Meeting pursuant to the <i>Corporations Act 2001</i> following the approval of a Spill Resolution by more than 50% of Shareholders.
Vertua	The Company.