Valemus Limited
ABN 26 143 320 834

VALEMUS LIMITED

PROSPECTUS

Global Coordinators and Joint Bookrunners

Deutsche Bank

Goldman Sachs JBWere

MACQUARIE

Joint Lead Managers

Deutsche Bank
Goldman Sachs JBWere
Macquarie Capital Advisers
Commonwealth Securities
RBS

IMPORTANT INFORMATION

Offer
The Offer contained in this Prospectus is an invitation by Valemus Limited ("Company") to apply for fully paid ordinary shares in the Company ("Shares").

Lodgement and Listing
This Prospectus is dated Tuesday, 8 June 2010 and a copy was lodged with the Australian Securities and Investments Commission ("ASIC") on that date. The Company will apply, within seven days after the date of this Prospectus, to Australian Securities Exchange, as operated by ASX Limited ("ASX") for admission of the Company to the official list of ASX and quotation of its Shares on ASX. Neither ASIC nor ASX takes any responsibility for the content of this Prospectus or for the merits of the investment to which this Prospectus relates.

Expiry date
No Shares will be issued on the basis of this Prospectus after the Expiry Date, being 13 months after Tuesday, 8 June 2010.

Note to Applicants
The information in this Prospectus is not financial product advice and does not take into account your investment objectives, financial situation or particular needs. It is important that you read this Prospectus carefully and in its entirety before deciding whether to invest in the Company. In particular, you should consider the assumptions underlying the Forecast Financial Information and the risk factors that could affect the Company's business, financial condition and results of operations. You should carefully consider these risks in light of your personal circumstances (including financial and tax issues) and seek professional guidance from your accountant, stockbroker or other professional adviser before deciding whether to invest in the Company. Key risk factors that should be considered by prospective investors are set out in Section 10.

No offering where offering would be illegal
The offer of Shares under this Prospectus does not constitute a public offer in any jurisdiction outside Australia or New Zealand. This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to permit otherwise a public offering of the Shares in any jurisdiction outside Australia or New Zealand. The distribution of this Prospectus outside Australia or New Zealand may be restricted by law and persons who come into possession of this Prospectus outside Australia or New Zealand should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. This Prospectus may not be distributed to, or relied upon by, persons in the United States or that are, or are acting for the account or benefit of, US Persons unless it is part of the International Offering Memorandum as part of the Institutional Offer. For details of selling restrictions that apply to the Shares in certain jurisdictions outside of Australia or New Zealand, please refer to Section 3.12.

The Shares have not been, and will not be, registered under the US Securities Act of 1933, as amended ("US Securities Act") or the securities laws of any state of the United States, and may not be offered or sold in the United States, or to, or for the account or benefit of, a US Person, except in a transaction exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws.

New Zealand investors
The offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act 2001 (Cth) ("Corporations Act") and Regulations. In New Zealand, this is Part 5 of the Securities Act 1978 and the Securities (Mutual Recognition of Offerings – Australia) Regulations 2008. This Offer and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act and Regulations (Australia) set out how the Offer must be made. There are differences in how securities are regulated under Australian law. For example, the disclosure of fees for collective investment schemes is different under the Australian regime. The rights, remedies, and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies and compensation arrangements for New Zealand securities. Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to this Offer. If you need to make a complaint about this Offer, please contact the Securities Commission, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint. The taxation treatment of Australian securities is not the same as for New Zealand securities. If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The Offer may involve a currency exchange risk. The currency for the securities is not New Zealand dollars. The value of the securities will go up or down according to changes in the exchange rate between Australian dollars and New Zealand dollars. These changes may be significant.

If you expect the securities to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If the securities are able to be traded on a securities market and you wish to trade the securities through that market, you will have to make arrangements for a participant in that market to sell the securities on your behalf. If the securities market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the securities and trading may differ from securities markets that operate in New Zealand.

Financial Information presentation and amounts
This Prospectus includes Forecast Financial Information based on the best estimate assumptions of the Directors. The basis of preparation and presentation of the Forecast Financial Information, to the extent relevant, is consistent with the basis of preparation and presentation for the Historical Financial Information. The Forecast Financial Information presented in this Prospectus is unaudited.

The Historical Financial Information reflects the statutory results of operations and financial condition of the Company, as adjusted to reflect the impact of the Offer, the unwinding of certain inter-company transactions and the exclusion of certain historical non-recurring items. Refer to Section 7.2 for a further description of the basis of presentation of the Historical Financial Information and Section 7.9 for a quantitative reconciliation of the Historical Financial Information to the historical statutory financial information of the Company.

The Historical Financial Information and the Forecast Financial Information in this Prospectus should be read in conjunction with, and are qualified by reference to, the information contained in Section 7.

All financial amounts contained in this Prospectus are expressed in Australian currency unless otherwise stated. Any discrepancies between totals and sums and components in tables contained in this Prospectus are due to rounding.

Disclaimer
No person is authorised to give any information or to make any representation in connection with the Offer described in this Prospectus which is not contained in this Prospectus. You should rely only on information in this Prospectus. Except as required by law, and only to the extent so required, neither the Company nor any other person warrants or guarantees the future performance of the Company, or any return on any investment made pursuant to this Prospectus.

This Prospectus contains forward looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'expects', 'intends' and other similar words that involve risks and uncertainties.

The Company has no intention to update or revise forward looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

Any forward looking statements are subject to various risk factors that could cause the Company's actual results to differ materially from the results expressed or anticipated in these statements. Key risk factors are set out in Section 10. These and other factors could cause actual results to differ materially from those expressed in any forward looking statement made by, or on behalf of, the Company.

This Prospectus, including the industry overview, uses market data, industry forecasts and projections. Valemus has obtained significant portions of this information from market research prepared by BIS Shrapnel, a business research and forecasting company. There is no assurance that any of the forecasts contained in the reports, surveys and research of BIS Shrapnel and others which are referred to in this Prospectus will be achieved. Valemus has not independently verified this information. Estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the risk factors set out in Section 10.

Exposure Period
The Corporations Act prohibits the Company from processing applications to subscribe for Shares under this Prospectus ("Applications") in the seven day period after the date of lodgement of this Prospectus ("Exposure Period"). This period may be extended by ASIC by up to a further seven days. This period is an exposure period to enable this Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in this Prospectus, in which case any Application may need to be dealt with in accordance with section 724 of the Corporations Act. Applications received during the Exposure Period will not be processed until after the expiry of that period. No preference will be conferred on Applications received during the Exposure Period.

Obtaining a copy of this Prospectus
A paper copy of the Prospectus is available free of charge to any person in Australia or New Zealand by calling the Valemus Offer Information Line on 1300 084 563 (within Australia) or +61 3 9415 4285 (outside Australia) between 8.30am and 5.00pm Sydney Time, Monday to Friday.

This Prospectus is also available in electronic form at www.valemusoffer.com.au. This Prospectus is only available in electronic form to persons accessing the website from Australia or New Zealand. It is not available in electronic form to persons outside of Australia or New Zealand. Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus.

The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

Photographs and diagrams
Photographs and diagrams in this Prospectus do not necessarily depict assets or equipment owned or used by the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the date of this Prospectus.

Company website
Any references to documents included on the Company's website are provided for convenience only, and none of the documents or other information on the website is incorporated by reference.

Glossary
Defined terms and abbreviations used in this Prospectus have meanings that are defined in the Glossary in Section 12. Unless otherwise stated or implied, references to times in this Prospectus are to Sydney Time.

Syndicate structure
The Global Coordinators and Joint Bookrunners of the Offer are Deutsche Bank, Goldman Sachs JBWere and Macquarie Capital Advisers. The Joint Lead Managers are the Global Coordinators and Joint Bookrunners, as well as Commonwealth Securities and RBS.

Questions
If you have any questions in relation to the Offer, please contact the Valemus Offer Information Line on 1300 084 563 (within Australia) or +61 3 9415 4285 (outside Australia) between 8.30am and 5.00pm Sydney Time, Monday to Friday.

Cover image:
The Sir Leo Hielscher Bridges (Gateway Upgrade project), QLD (Abigroup)

CONTENTS

Valemus, Val-*ee*-mus ('u' as in 'us')

'Valemus' is a Latin word derived from the verb 'Valere', which means to be strong; to be healthy; to be effective; to have influence; to succeed; to be able to meet the challenge; to be of value.

The form 'Valemus' is made up of two parts, 'Vale' which is the root of the word and 'mus' which means 'we'.

Therefore, the word means 'we are strong'. 'Mus' denotes combined effort; working together; co-operation; unity of purpose.

Privacy

By completing an Application Form, you are providing personal information to the Company through the Share Registry, which is contracted by the Company to manage Applications. The Company, and the Share Registry, on the Company's behalf, collect, hold and use that personal information to process your Application, service your needs as an investor, provide facilities and services that you request and carry out appropriate administration. The company and tax laws require some of the information to be collected. If you do not provide the information requested, your Application may not be able to be processed efficiently, if at all.

The Company and the Share Registry may disclose your personal information for purposes related to your investment to their agents and service providers, including those listed below or as otherwise authorised under the Privacy Act 1988 (Cth) and the Privacy Act 1993 (NZ):

- the Share Registry for ongoing administration of the Share register;
- the Global Coordinators and Joint Bookrunners in order to assess your Application;
- printers and other companies for the purposes of preparation and distribution of documents and for handling mail;
- market research companies for the purpose of analysing the Company's shareholder base and for product development and planning; and
- legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

You may request access to your personal information held by or on behalf of the Company. You can request access to your personal information or obtain further information about the Company's privacy practices by contacting the Company or the Share Registry. The Company aims to ensure that the personal information it retains about you is accurate, complete and up-to-date. Please contact the Company or the Share Registry if any of the details you have provided change.

In accordance with the requirements of the Corporations Act, information on the Share register will be accessible by members of the public.

Important dates

Prospectus date	Tuesday, 8 June 2010
Retail Offer open	9.00am Sydney Time on Wednesday, 16 June 2010
Retail Offer close	5.00pm Sydney Time on Friday, 2 July 2010
Institutional Offer open	Tuesday, 6 July 2010
Institutional Offer close	Wednesday, 7 July 2010
Pricing and allocation announced	Thursday, 8 July 2010
Expected commencement of trading on ASX on a conditional and deferred settlement basis	Friday, 9 July 2010
Institutional Offer settlement and last day of conditional trading	Wednesday, 14 July 2010
Issue and allotment of Shares	Thursday, 15 July 2010
Expected date for dispatch of holding statements	Thursday, 15 July 2010
Expected commencement of trading on ASX on a normal settlement basis	Tuesday, 20 July 2010

Note: This timetable is indicative only. Bilfinger Berger AG ("BBAG"), the Company and the Global Coordinators and Joint Bookrunners reserve the right to vary the dates and times of the Offer, including to close the Offer early, extend the Closing Date or accept late Applications, either generally or in particular cases, without notification.

KEY OFFER INFORMATION

Key Offer statistics

Indicative Price Range[1]	**$2.20–$2.50 per Share**
Total number of Shares available under the Offer and on issue on completion of the Offer	**555 million**
Gross proceeds from the Offer[2]	**$1,221 million–$1,388 million**
Market capitalisation[2]	**$1,221 million–$1,388 million**
Pro forma net cash (as at 31 December 2009)[3]	**$169 million**
Enterprise value[4]	**$1,052 million–$1,219 million**

Selected pro forma historical CY2009 and pro forma forecast CY2010 financial information[6]

	Pro forma historical CY2009	Pro forma forecast CY2010[5]
Gross revenue	$4,766 million	$4,600 million
EBITDA	$203 million	$220 million
EBIT	$163 million	$178 million
NPAT		$116 million
Earnings per Share (for the 12 months ending 31 December)[6]		20.9 cents
Dividend per Share (for the six months ending 31 December)[7]		4.5 cents

Summary of pro forma forecast CY2010 investment metrics[6]

Price earnings ratio[8]	**10.5x–12.0x**
Enterprise value/EBITDA[9]	**4.8x–5.5x**
Enterprise value/EBIT[9]	**5.9x–6.8x**
Annualised dividend yield[7][10]	**3.6%–4.1%**

Notes:

(1) The Indicative Price Range is indicative only. Successful Applicants under the Institutional Offer will pay the Final Price which will be set after conclusion of the Institutional Offer and Retail Offer and may be set at a price within, above or below the Indicative Price Range. Successful Applicants in the Retail Offer will pay the Retail Price, being the lower of $2.50 and the Final Price.

(2) Calculated as the total number of Shares on issue following the Offer multiplied by the lower and upper values of the Indicative Price Range. The total gross proceeds of the Offer and the market capitalisation following the Offer will be equal to the number of Shares issued under the Institutional Offer multiplied by the Final Price, plus the number of Shares issued under the Retail Offer multiplied by the Retail Price.

(3) Calculated as pro forma cash and cash equivalents of $275 million less short term and long term pro forma interest bearing liabilities of $25 million and $81 million, respectively, as at 31 December 2009. Excludes restricted cash of $320 million. Refer to Section 7.4 for further details.

(4) Enterprise value has been calculated as the market capitalisation of Valemus Limited, based on the lower and upper values of the Indicative Price Range, less the pro forma net cash balance as at 31 December 2009.

(5) The Forecast Financial Information is based on assumptions and accounting policies set out in Section 7 and is subject to the key risks set out in Section 10. There is no guarantee that forecasts will be achieved.

(6) Based on the CY2010 pro forma forecast and the total number of Shares to be on issue on completion of the Offer.

(7) Based on the dividend for the six months ending 31 December 2010, expected to be paid in March 2011. Refer to Section 7.14 for more information on dividends.

(8) The price earnings ratio is calculated at the lower and upper values of the Indicative Price Range divided by the earnings per Share disclosed above.

(9) The enterprise value/EBITDA and enterprise value/EBIT multiples are calculated as the expected enterprise value of Valemus Limited, based on the lower and upper values of the Indicative Price Range, divided by pro forma forecast CY2010 EBITDA and pro forma forecast CY2010 EBIT, respectively. These multiples represent a valuation metric that may enable investors to assess the valuation of comparable businesses before the impact of depreciation, amortisation and different capital and taxation structures (in the case of enterprise value/EBITDA) and before the impact of different capital and taxation structures in the case of enterprise value/EBIT.

(10) Calculated by dividing the dividend per Share disclosed above annualised for the 12 months ending 31 December 2010 by the lower

Valemus is one of the largest multi-service contractors across the construction, and specialist infrastructure asset management and engineering services, industries in Australia

CHAIRMAN'S LETTER

8 June 2010

Dear Investor

On behalf of the Directors, it gives me great pleasure to invite you to become a shareholder of Valemus Limited.

Valemus is one of the largest multi-service contractors across the construction, and specialist infrastructure asset management and engineering services ("Services"), industries in Australia.

Valemus operates in the construction industry through Abigroup and Baulderstone, and in the Services industry through Conneq (together, the "Valemus Businesses"). The Valemus Businesses have a long and proud history in Australia dating back to 1926 and have delivered some of Australia's most iconic infrastructure projects, including the Sydney Opera House, the Anzac Bridge and the M2, M5 East and M7 Motorways in New South Wales, the Story Bridge and CLEM7 Tunnel in Queensland, Etihad Stadium and the Royal Melbourne Women's Hospital in Victoria and the Adelaide Convention Centre in South Australia.

Valemus is recognised for its ability to execute large, complex projects and is a leader within many of the markets in which it operates. In FY2009, Valemus was Australia's second largest contractor by value of contracts commenced in both the engineering construction and non-residential building markets, as well as being a leading provider of private road maintenance services in Australia.

Valemus has grown strongly in recent years, having achieved compound pro forma annual EBIT growth of approximately 6.6% between CY2007 and CY2009 as well as increasing its employee base from approximately 3,000 in CY2004 to over 6,800 as at 31 December 2009. Valemus' strong financial performance is expected to continue with pro forma EBIT of $178 million forecast in CY2010, representing an increase of approximately 9.5% on CY2009.

Valemus has a growing forward order book and as at 31 March 2010, had a record $5.7 billion of Work in Hand and was the preferred bidder for an additional $1.9 billion of Pending Contracts. Approximately 90% of pro forma forecast CY2010 gross revenue is expected to be generated from Secured Work and Pending Contracts at 31 March 2010.

With an experienced senior management team and highly skilled senior staff, the Directors believe Valemus is well positioned to execute its growth strategy and deliver attractive financial results. Valemus' growth strategy includes further diversifying its operations by increasing its regional and sector exposure to engineering construction in Australia and expanding its Services business. This strategy will enable each of the Valemus Businesses to continue to develop new capabilities in targeted sectors which are expected to benefit from the increased focus on infrastructure investment and increased activity in the Australian mining, and oil and gas sectors.

On completion of the Offer, Valemus will have a strong balance sheet with pro forma shareholder funds of $788 million as at 31 December 2009, which the Directors believe will position Valemus well to execute its growth strategy and effectively compete for, and deliver, large scale projects.

This Prospectus contains detailed information about Valemus, the details of the Offer and a description of some of the key risks associated with an investment in the Company. Some of the key risks that Valemus may face may arise from adverse economic conditions, selection of projects and pricing assumptions, competition and the ability to secure new business, as well as project delays.

You should read this Prospectus carefully and in its entirety before deciding whether to invest in Valemus Limited. To apply under the Retail Offer, you will need to fill out and return the accompanying Application Form or apply online at www.valemusoffer.com.au and pay the Application Monies in the manner described in this Prospectus. If you have any questions about the Offer, please call the Valemus Offer Information Line on 1300 084 563 (within Australia) or +61 3 9415 4285 (outside Australia) between 8.30am and 5.00pm Sydney Time, Monday to Friday. The Retail Offer is expected to close at 5.00pm on Friday, 2 July 2010.

On behalf of the Board, I commend the Offer to you and look forward to welcoming you as a Shareholder.

Yours sincerely

The Hon. Nick Greiner AC
Chairman

Abigroup
Constructing Australia's Future

BAULDERSTONE

A LEADING AUSTRALIAN CONSTRUCTION BUSINESS

- Australia's second largest contractor in both engineering construction and non-residential building[1]
- One of a limited number of contractors with the capability and track record to compete for and deliver large, complex infrastructure and building projects in Australia
- Abigroup and Baulderstone are well recognised and respected brands and have constructed some of Australia's most iconic infrastructure and building projects
- Experience across all major contract delivery methods including public-private partnerships

Note:
1. By value of contracts commenced in FY2009, HIA-Ai Group-Reed Construction Data Construction 100 2008/09 (September 2009). Engineering construction is defined by HIA as mainly roads, railways, telecommunications, and power, water and sewerage infrastructure, but excludes mining projects and engineering construction carried out by the public sector's own workforce.

Refer to Sections 1.2.1, 5.1, 5.2 and 5.3 for further information in relation to Abigroup and Baulderstone, Valemus' construction businesses.

M7 Motorway, NSW (Abigroup)

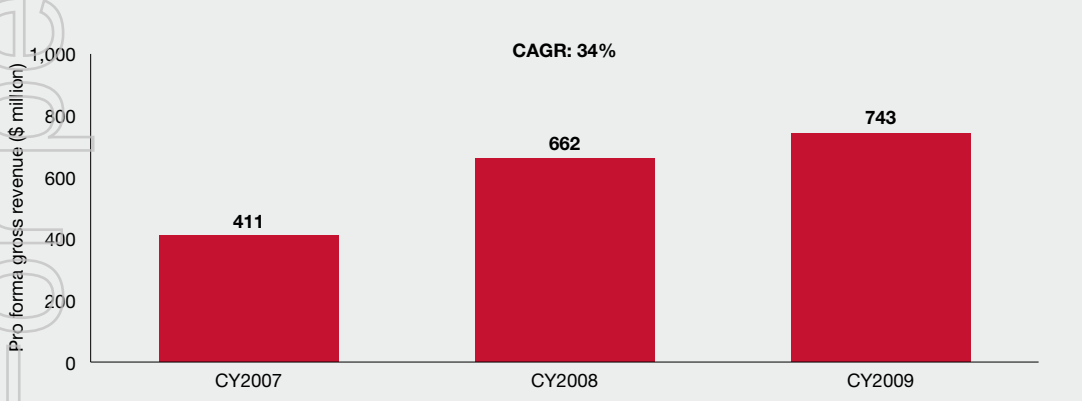
Crown Metropol Hotel, VIC (Baulderstone)

CONNEQ
INFRASTRUCTURE SERVICES

HIGH QUALITY SERVICES BUSINESS

- Internal engineering capabilities
- Specialist asset management skills
- National fabrication, repair and electrical equipment manufacturing capabilities
- A leading provider of private road maintenance services in Australia
- Track record of organic growth and the successful integration of acquisitions
- Well positioned to increase exposure to the growing mining, and oil and gas sectors

Conneq pro forma gross revenue growth between CY2007 and CY2009



Refer to Sections 1.2.2 and 5.4 for further information in relation to Conneq, Valemus' Services business.

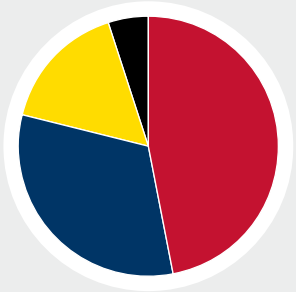
Neerabup Power Station, WA (Baulderstone/Conneq)

DIVERSIFIED EARNINGS AND CUSTOMER BASE

- Revenue diversified across engineering construction, building and Services activities
- Exposure to a diverse range of industry sectors
- Established operations in all Australian states and in New Zealand
- No single project accounted for more than 4% of pro forma CY2009 gross revenue
- No single customer accounted for more than 9% of pro forma CY2009 gross revenue
- 64% of pro forma CY2009 gross revenue secured from public sector customers

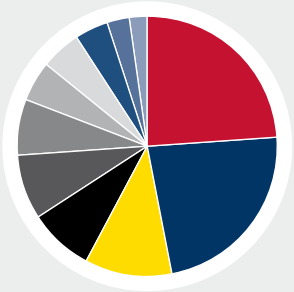
Valemus pro forma CY2009 gross revenue split by market

- Engineering construction 47%
- Non-residential building 32%
- Services 16%
- Residential building 5%



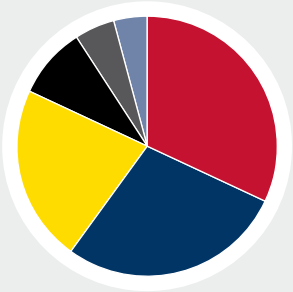
Valemus pro forma CY2009 gross revenue split by sector

- Roads 24%
- Social and institutional building 23%
- Commercial and industrial building 11%
- Bridges and Tunnels 8%
- Power and Telecommunications 8%
- Water 7%
- Mining, and Oil and gas 5%
- Residential building 5%
- Marine 4%
- Other 3%
- Rail 2%



Valemus pro forma CY2009 gross revenue split by geography

- Queensland 32%
- New South Wales 28%
- Victoria 22%
- South Australia 9%
- Western Australia 5%
- Other[1] 4%



Note:
(1) Other includes Tasmania, New Zealand, certain national business units and other overseas operations.

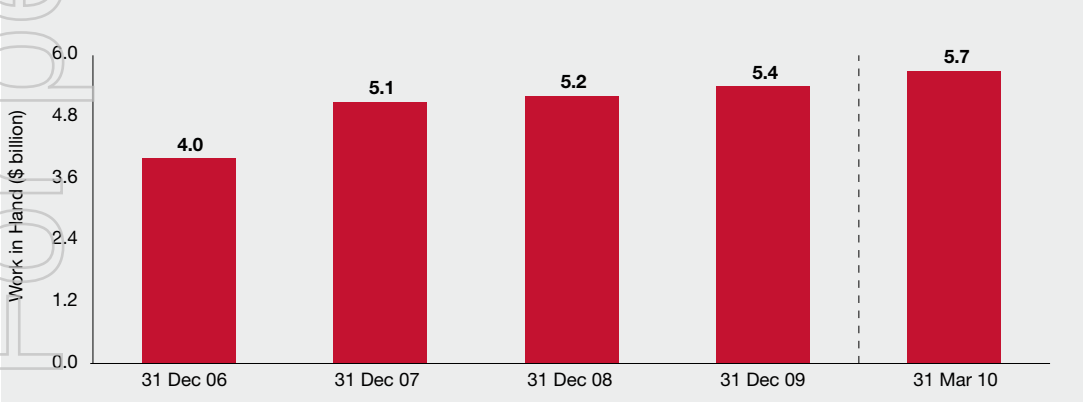
Refer to Sections 1.2.3, 5.2, 5.3 and 5.4 for further information in relation to the earnings and customer base of each of the Valemus Businesses.

CLEM7 Tunnel, QLD (Baulderstone)

ATTRACTIVE FINANCIAL PROFILE

- Pro forma forecast CY2010 EBIT growth of approximately 9.5%
- Strong balance sheet with a $1,000 million Bank Guarantee Facility and $360 million of Surety Bond Facilities[1] to support existing operations and identified growth opportunities
- Growing forward order book, as at 31 March 2010
  - Record Work in Hand[2] of $5.7 billion, representing 1.2x pro forma forecast CY2010 gross revenue
  - An additional $1.9 billion of Pending Contracts[3]
  - 90% of pro forma forecast CY2010 gross revenue is expected to be generated from Secured Work[2] and Pending Contracts

Valemus' Work in Hand from 31 December 2006 to 31 March 2010



Notes:
1. Refer to Sections 7.10, 11.4.4 and 11.4.5 for further information on Valemus' Guarantee Facilities, which comprise the Bank Guarantee Facility and the Surety Bond Facilities.
2. Work in Hand is the unperformed value of Secured Work at a particular point in time. Secured Work is the total value of work under signed contracts with customers where the terms have been agreed in full (including work performed to date). For long-term contracts where there is no fixed contract value, an estimate of expected work under the contract is included as Secured Work. This is common in the Services contracts undertaken by Conneq.
3. Pending Contracts are an estimation of the total value of contracts in respect of which Valemus has been identified as the 'preferred' bidder, and where the contract terms have not been finalised or the final contract value has not been agreed (for example, alliance contracts).

Adelaide Desalination Plant, SA
(Abigroup)

Refer to Sections 1.2.4, 5.1.5 and 7 for further information in relation to Valemus' financial profile.

ATTRACTIVE INDUSTRY OUTLOOK

- **Attractive outlook for the $108 billion[1] Australian engineering construction and non-residential building markets primarily driven by:**
  - Australia's projected economic growth
  - Australia's projected population growth and changing demographics
  - Focus on upgrading Australia's infrastructure base
  - Expected ongoing demand for Australian commodities
- **Attractive outlook for the $24 billion[2] Australian industrial facilities and civil infrastructure markets, within the Services industry, primarily driven by:**
  - New infrastructure projects becoming operational
  - Shift to addressing the backlog of maintenance works
  - Ongoing shift to outsourcing of maintenance services
  - Expected increase in investment in new infrastructure

Notes:
1. Australian Bureau of Statistics, September 2009. Determined by value of work done in FY2009 measured in FY2008 prices.
2. BIS Shrapnel (2008), Maintenance in Australia FY2008–FY2023. Determined by total Australian maintenance expenditure in FY2008 in FY2008 prices.

Refer to Sections 1.2.5 and 4 for further information in relation to the Australian construction and Services industries.

IDENTIFIED GROWTH OPPORTUNITIES

- **Increase exposure to engineering construction in Australia**
  - Expand geographic presence in Western Australia and expand operations in Queensland and South Australia
  - Capitalise on existing platforms and expand capabilities in target sectors:
    - Rail
    - Bridges
    - Tunnels
    - Power
    - Mining
    - Oil and gas
    - Water
    - Telecommunications
    - Marine
- **Grow Conneq organically and through complementary acquisitions in target sectors**
  - Power
  - Mining
  - Oil and gas

Port Botany Expansion, NSW
(Baulderstone)
Photo courtesy of Sydney Ports Corporation

Refer to Sections 1.2.6 and 5.5 for further information in relation to Valemus' strategies for growth.

EXPERIENCED MANAGEMENT AND BOARD WITH HIGHLY SKILLED SENIOR STAFF

- **Significant senior management experience with a strong track record of delivering growth**
  - CEO Peter Brecht has over 21 years experience within Valemus
  - CFO Darrell Hendry has over 25 years experience within Valemus
  - Managing directors of the Valemus Businesses each have over 20 years experience in the construction and/or Services industries
- **Strong Board with extensive listed company and industrials sector experience**
- **Highly skilled senior staff with significant project management expertise and tenure with Valemus**
- **Workforce of over 6,800 employees**
- **Disciplined approach to risk management across the business**

Refer to Sections 1.2.7, 5.6, 6.1 and 6.2 for further information in relation to Valemus' employees, the senior management team of Valemus and the Board.

A Rick Turchini (LHS), Managing Director (Baulderstone)

B Mark Elliot, Managing Director (Conneq)

C David Jurd, Managing Director (Abigroup)

D Peter Brecht (LHS), CEO (Valemus Limited)

E Darrell Hendry (RHS), CFO (Valemus Limited)

KEY INVESTMENT RISKS

Potential investors should be aware that there are risks associated with investing in Valemus Limited including a number of risk factors specific to Valemus, the industries in which it operates and the general business environment, as well as risks associated with investing in the stock market generally. Some risks are beyond the control of Valemus, the Directors and Management and may have a material impact on Valemus' financial performance or position.

Some of the key risks of investing in the Company include, but are not limited to, the following:

- General economic and business conditions in Australia may deteriorate
- Assessments made with regard to costs and construction schedule during the tendering process may prove incorrect
- Valemus' competitive position may deteriorate
- Delays and interruptions may affect profitability of projects

The University of Sydney, Faculty of Law, NSW
(Baulderstone)

Sydney International Terminal Carpark, NSW
(Abigroup)

KEY INVESTMENT RISKS continued

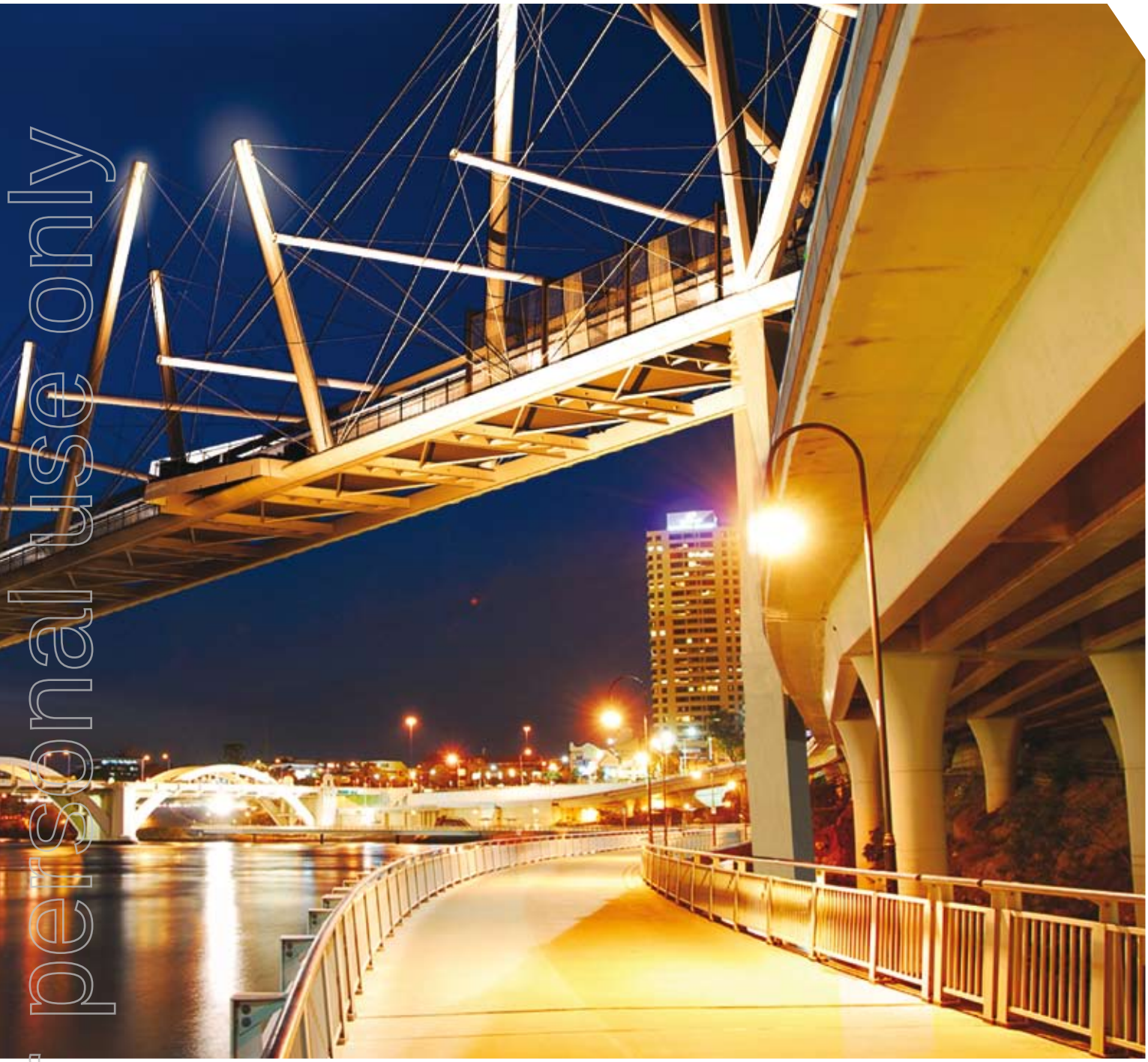
- Suitably skilled senior and operational personnel may prove difficult to retain and recruit
- Changes in business mix may place greater risks on Valemus' business
- Valemus' Guarantee Facilities may prove insufficient to fund future growth
- Valemus' reputation and brands may be damaged

Before deciding whether to apply for Shares, potential investors should read this Prospectus in its entirety and carefully consider the assumptions underlying the Forecast Financial Information and the risk factors that could impact the future financial performance of Valemus.

See Sections 1.3 and 10 for further information on key risks.

Ipswich Motorway (artist's impression), QLD
(Abigroup)

Gatton Correctional Precinct, QLD
(Baulderstone)



Kurilpa Bridge, QLD
(Baulderstone)

1 INVESTMENT OVERVIEW

1.1 BUSINESS OVERVIEW

Valemus is one of the largest multi-service contractors across the construction, and specialist infrastructure asset management and engineering services ("Services"), industries in Australia. Valemus provides comprehensive solutions for the construction of civil infrastructure and buildings, as well as a wide range of engineering and specialist asset management services. Valemus provides these solutions to public and private sector customers across a number of sectors, including roads, bridges, tunnels, water, mining, oil and gas, power, telecommunications, marine, rail, social and institutional building, commercial and industrial building, and residential building. Valemus has been involved in the construction of a number of iconic infrastructure projects, including the Sydney Opera House, the Anzac Bridge and the M2, M5 East and M7 Motorways in New South Wales, the Story Bridge and CLEM7 Tunnel in Queensland, Etihad Stadium and the Melbourne Royal Women's Hospital in Victoria and the Adelaide Convention Centre in South Australia.

Valemus operates in the construction industry through Abigroup and Baulderstone, and in the Services industry through Conneq (together, the "Valemus Businesses").

Figure 1.1 – Valemus Businesses

Valemus is headquartered in Sydney, New South Wales and, as at 31 December 2009, employed over 6,800 staff across its various operations throughout Australia and in New Zealand. Figure 1.2 illustrates Valemus' geographic coverage.

Figure 1.2 – Valemus' locations

1.1.1 Business model

Valemus operates Abigroup, Baulderstone and Conneq as structurally and operationally independent businesses. This independence allows each of the Valemus Businesses to capitalise on its specialised strengths and experience, and to pursue specific business strategies tailored to the markets in which each operates. The business model enables the Valemus Businesses to tender for contracts independently of each other and, on occasion, for Abigroup and Baulderstone to tender for contracts in competition with each other, in compliance with their own and their customer's probity requirements. Additionally, Conneq often partners with Abigroup or Baulderstone on projects to create opportunities for Valemus to undertake the ongoing operation and maintenance, as well as the design and construction, of an asset.

Valemus, through its head office, provides direction on growth and strategy to each Valemus Business and oversight in relation to corporate governance and risk management. Corporate head office functions also include independent financial and operational risk review, legal, insurance, taxation, treasury support and corporate communications.

1.1.2 Business strategy

Valemus seeks to create value for its Shareholders by strengthening its overall position as a leading Australian engineering construction and non-residential building business, and by establishing itself as a leading provider of Services. In this regard, Valemus' core operating strategies are to:

- maintain its commitment to providing a safe and healthy workplace;
- maintain a disciplined approach to project selection, tendering and profitability;
- maintain a strong focus on risk management;
- maintain a strong balance sheet to support future growth;
- develop and retain a highly skilled workforce;
- identify and pursue value enhancing growth opportunities in Australia in each of the Valemus Businesses, through geographic expansion and the development of new capabilities;
- promote a sustainable approach to environmental management and social responsibility; and
- build and maintain long-term relationships with customers.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1.2 KEY INVESTMENT HIGHLIGHTS

1.2.1 A leading Australian construction business

Valemus is one of the largest multi-service groups operating in the Australian construction industry and has extensive experience in delivering essential infrastructure projects, as well as proven execution capabilities across all major contract delivery methods. Through Abigroup and Baulderstone, Valemus is primarily focused on the engineering construction and non-residential building markets within the construction industry and has established strong positions in these markets. In FY2009, Valemus was Australia's second largest contractor by value of contracts commenced in both the engineering construction and non-residential building markets[1].

Note:

1. By value of contracts commenced in FY2009, HIA-Ai Group-Reed Construction Data Construction 100 2008/09 (September 2009). Engineering construction is defined by HIA as mainly roads, railways, telecommunications, and power, water and sewerage infrastructure, but excludes mining projects and engineering construction carried out by the public sector's own workforce.

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Abigroup and Baulderstone are well recognised and respected brands in the Australian construction industry, having been in operation for over 50 years and 80 years respectively, and having delivered some of Australia's most iconic infrastructure and building projects. These include the Sydney Opera House, the Anzac Bridge, the Acer Arena and the M2, M5 East and M7 Motorways in New South Wales, Etihad Stadium and the Melbourne Royal Women's Hospital in Victoria, the Story Bridge and CLEM7 Tunnel in Queensland and the Adelaide Convention Centre in South Australia.

Valemus' capabilities and track record, coupled with its financial strength and scale, position it as one of a limited number of contractors able to compete for and deliver large, complex infrastructure and building projects in Australia.

Refer to Sections 5.1, 5.2 and 5.3 for further information relating to Abigroup and Baulderstone.

A Sydney Opera House, NSW (Baulderstone)

B ANZAC Bridge, NSW (Baulderstone)

C Adelaide Convention Centre, SA (Baulderstone)

D Acer Arena, NSW (Abigroup)

E Etihad Stadium, VIC (Baulderstone)

F M5 East Motorway, NSW (Baulderstone)

G CLEM7 Tunnel, QLD (Baulderstone)

H M7 Motorway, NSW (Abigroup)

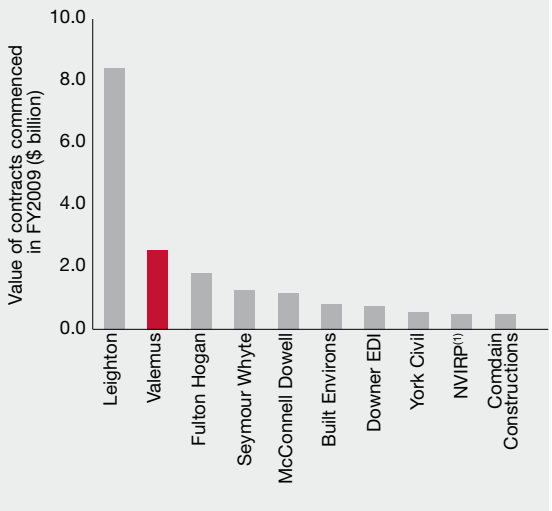
I M2 Motorway, NSW (Abigroup)

J Story Bridge, QLD (Baulderstone)

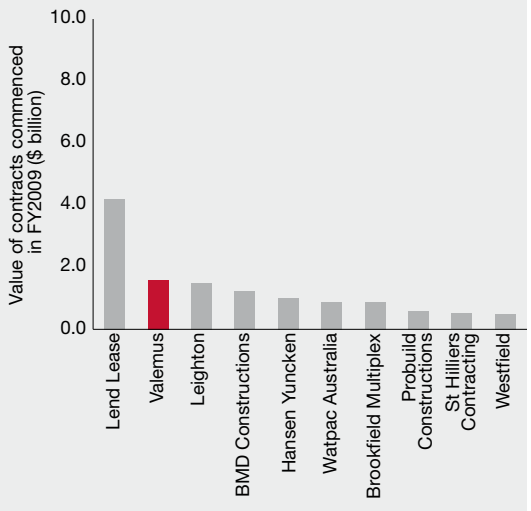
K Melbourne Royal Women's Hospital, VIC (Baulderstone)

Figure 1.3 – Australian construction industry by value of contracts commenced in FY2009

Engineering construction contractors in Australia



Non-residential building contractors in Australia



Note: HIA-Ai Group-Reed Construction Data Construction 100 2008/09 (September 2009), by value of contracts commenced in FY2009. Engineering construction is defined by HIA as mainly roads, railways, telecommunications, and power, water and sewerage infrastructure, but excludes mining projects and engineering construction carried out by the public sector's own workforce. The value of contracts commenced in FY2009 by Leighton has been calculated by aggregating the value of contracts commenced in FY2009 by John Holland, Leighton Contractors and Thiess. The value of contracts commenced in FY2009 by Valemus has been calculated by aggregating the value of contracts commenced by Abigroup and Baulderstone.

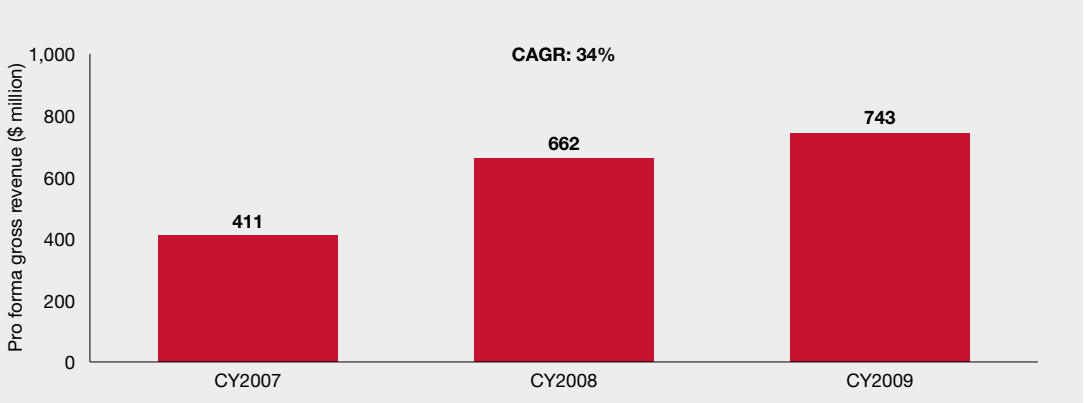
Note:
(1) NVIRP represents a state owned entity, established to plan, design and deliver the Northern Victoria Irrigation Renewal Project.

1.2.2 High quality Services business

Conneq is a specialised Services business with internal engineering design capabilities, specialist asset management skills and national fabrication, repair and electrical equipment manufacturing capabilities. It is a leading provider of private road maintenance services in Australia and achieved a pro forma gross revenue CAGR of 34% between CY2007 and CY2009 through organic growth and the successful integration of acquisitions. Conneq's strong organic growth has been underpinned by established relationships with customers, relationships with Abigroup and Baulderstone, and access to skilled labour.

A key advantage of the Conneq business is its internal engineering capabilities, which allow Conneq to participate in the early design and installation stages of projects of all sizes. Valemus believes these capabilities position Conneq to increase its exposure to the growing mining, and oil and gas sectors.

Figure 1.4 – Conneq's pro forma gross revenue growth between CY2007 and CY2009

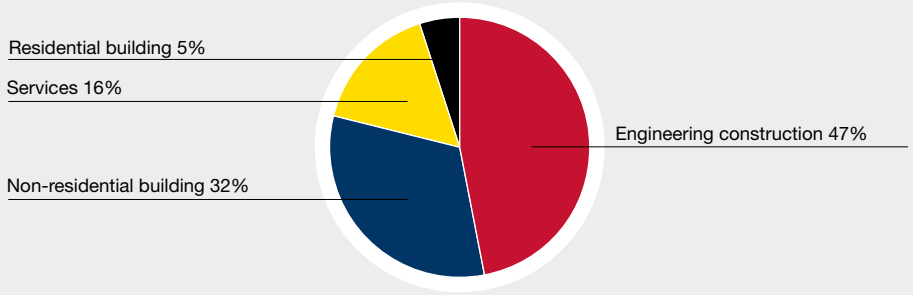


Refer to Section 5.4 for further information in relation to Conneq.

1.2.3 Diversified earnings and customer base

Valemus' earnings are diversified across a range of markets, sectors, projects, regions and customers. Valemus has strong capabilities across the construction and Services industries, with 47% of its pro forma CY2009 gross revenue sourced from engineering construction, 37% from building and 16% from Services. Its diversification enables Valemus to deliver a broad range of services and capabilities across the asset life cycle.

Figure 1.5 – Valemus' pro forma CY2009 gross revenue split by market



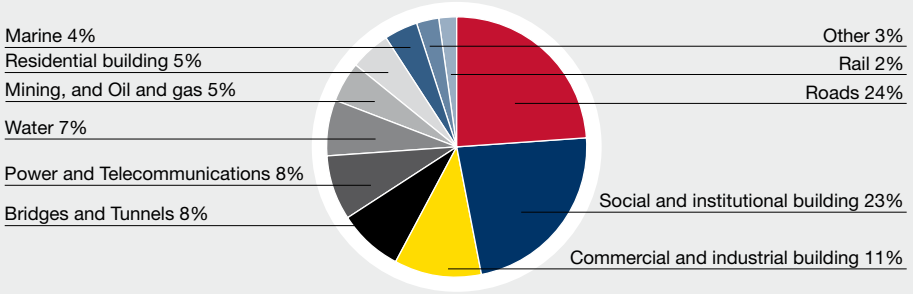
CY2009 pro forma gross revenue – $4.8 billion

As illustrated in Figure 1.6, Valemus operates across a number of sectors. Within the engineering construction market, Valemus has established capabilities in the roads, bridges, tunnels, water, mining, power, telecommunications, marine and rail sectors. Similarly, within the non-residential and residential building markets, Valemus has established capabilities in social and institutional building (including education, health and entertainment), commercial and industrial building (including offices, retail and hotels) and high/medium density residential building.

In the Services industry, Valemus is a provider of Services to the power, telecommunications, mining, oil and gas, gas and water networks, manufacturing and roads sectors.

In addition to assisting Valemus to manage earnings volatility, this diversity demonstrates the breadth of its operational capabilities and expertise.

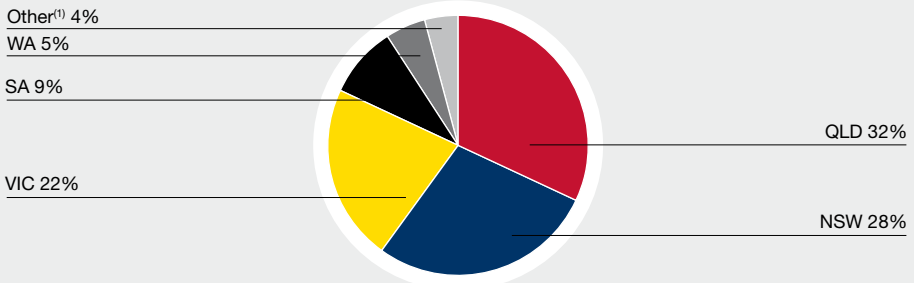
Figure 1.6 – Valemus' pro forma CY2009 gross revenue split by sector



CY2009 pro forma gross revenue – $4.8 billion

Valemus has established operations across all states of Australia, as well as a small presence in New Zealand.

Figure 1.7 – Valemus' pro forma CY2009 gross revenue split by geography



CY2009 pro forma gross revenue – $4.8 billion

Note:
(1) Other includes Tasmania, New Zealand, certain national business units and other overseas operations.

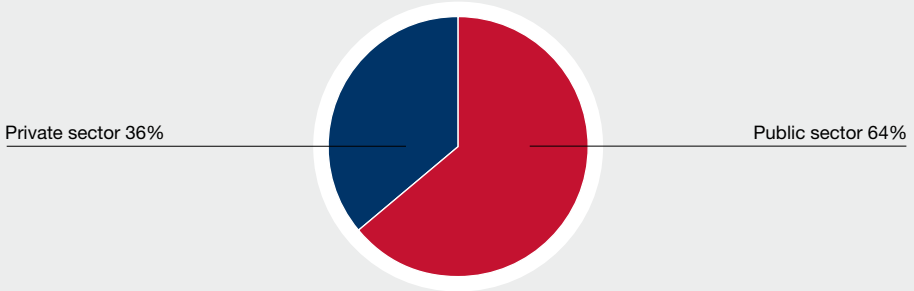
Valemus' earnings are also diversified across a large number of projects. In CY2009, Valemus' top 10 contracts accounted for less than 30% of pro forma gross revenue, with no single project accounting for more than 4%.

Valemus has a diversified customer base including established relationships with:

- Federal, state and local governments, as well as semi-government bodies; and
- major Australian private sector companies across the mining, oil and gas, property, transport, water, power and telecommunication sectors.

While 64% of Valemus' pro forma CY2009 gross revenue was sourced from public sector customers, no single customer accounted for more than 9% of pro forma gross revenue in that year.

Figure 1.8 – Valemus' pro forma CY2009 gross revenue split by customer type



CY2009 pro forma gross revenue – $4.8 billion

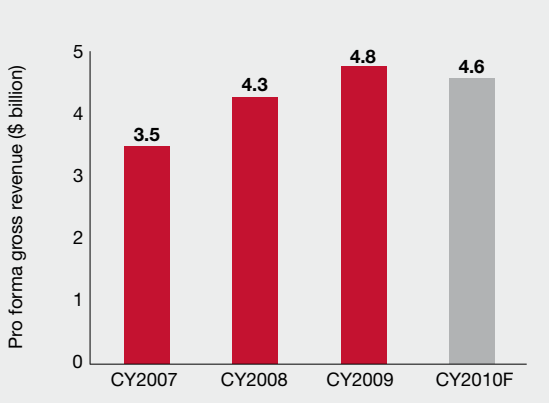
Refer to Sections 5.2, 5.3 and 5.4 for further information relating to the earnings and customer base of each of the Valemus Businesses.

1.2.4 Attractive financial profile

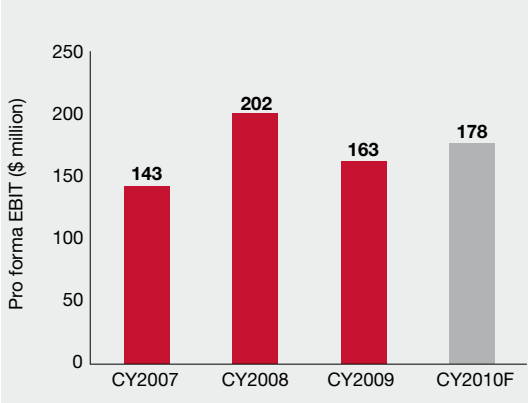
Valemus has a strong track record of revenue and EBIT growth. Between CY2007 and CY2009, Valemus' pro forma gross revenue and pro forma EBIT grew at CAGRs of 16.4% and 6.6%, respectively. Valemus' pro forma EBIT is forecast to grow by approximately 9.5% in CY2010 to $178 million from $163 million in CY2009 as EBIT margins revert to historical averages. This growth in EBIT is expected notwithstanding an approximate 3.5% decline in pro forma forecast CY2010 gross revenue to $4,600 million from $4,766 million in CY2009, largely due to project postponements following the recent economic downturn in CY2008 and CY2009.

Figure 1.9 – Valemus' pro forma historical and forecast gross revenue and EBIT from CY2007 to CY2010

Valemus' historical and forecast pro forma gross revenue



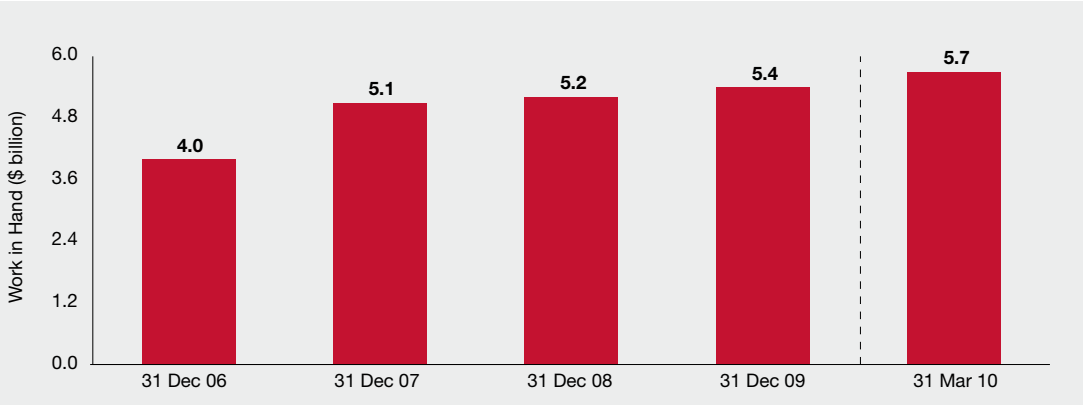
Valemus' historical and forecast pro forma EBIT



Note: The Forecast Financial Information is based on assumptions and accounting policies set out in Section 7 and is subject to the risks set out in Section 10. There is no guarantee that the financial forecasts will be achieved.

As displayed in Figure 1.10, Valemus has experienced a growing forward order book and as at 31 March 2010, Valemus recorded its highest level of Work in Hand[1] of $5.7 billion, representing 1.2x pro forma forecast CY2010 gross revenue. In addition, Valemus had a further $1.9 billion of Pending Contracts[2]. As at 31 March 2010, approximately 90% of pro forma forecast CY2010 gross revenue is expected to be generated from Secured Work[1] and Pending Contracts. Refer to Section 7.7 for a more detailed breakdown of Secured Work, Work in Hand and Pending Contracts.

Figure 1.10 – Valemus' Work in Hand from 31 December 2006 to 31 March 2010



On completion of the Offer, Valemus will have a strong balance sheet. Its pro forma shareholder funds as at 31 December 2009 were $788 million. It will have a new revolving letter of credit and bank guarantee facility (the Bank Guarantee Facility), and existing surety bond facilities (the Surety Bond Facilities), together referred to as the Guarantee Facilities[3], totalling $1.36 billion, which the Directors believe is appropriate in light of Valemus' level of operations and identified growth opportunities.

Refer to Section 7 for further information on Valemus' financial performance.

Notes:

1. Work in Hand is the unperformed value of Secured Work at a particular point in time. Secured Work is the total value of work under signed contracts with customers where the terms have been agreed in full (including work performed to date). For long-term contracts where there is no fixed contract value, an estimate of expected work under the contract is included as Secured Work. This is common in the Services contracts undertaken by Conneq.
2. Pending Contracts are an estimation of the total value of contracts in respect of which Valemus has been identified as the 'preferred' bidder, and where the contract terms have not been finalised or the final contract value has not been agreed (for example, alliance contracts).
3. Bank guarantees, insurance, performance and payment bonds, letters of credit or other unconditional undertakings from banks or other acceptable financial institutions are used in the construction industry by contractors, as security for their obligations to their customers. Refer to Section 4.1.3 for additional information on Guarantees and Sections 7.10, 11.4.4 and 11.4.5 for additional information on the Bank Guarantee Facility and Surety Bond Facilities.

1.2.5 Attractive industry outlook

The Australian construction industry has become an increasingly significant contributor to the Australian economy, accounting for an estimated 7.1% of national gross domestic product ("GDP") in FY2009 (up from an estimated 5.1% in FY2001[1]), or approximately $151 billion by value of work done[2]. Within the construction industry, Valemus primarily focuses on the engineering construction and non-residential building markets, which in aggregate accounted for approximately $108 billion in value or 72% of construction industry value in FY2009[2].

Between FY2001 and FY2009, the engineering construction and non-residential building markets within the Australian construction industry are estimated to have grown at a CAGR of 12%. In FY2010, BIS Shrapnel expects the Australian engineering construction and non-residential building markets to grow at a lower rate of 8% due to reduced private sector spending. Although the Australian engineering construction and non-residential building markets are expected to experience a short-term contraction beyond FY2010 before private sector spending on new projects increases, BIS Shrapnel does not expect the combined value of work done in these markets to decline below FY2008 levels. Growth in the Australian construction industry is expected to be primarily driven by:

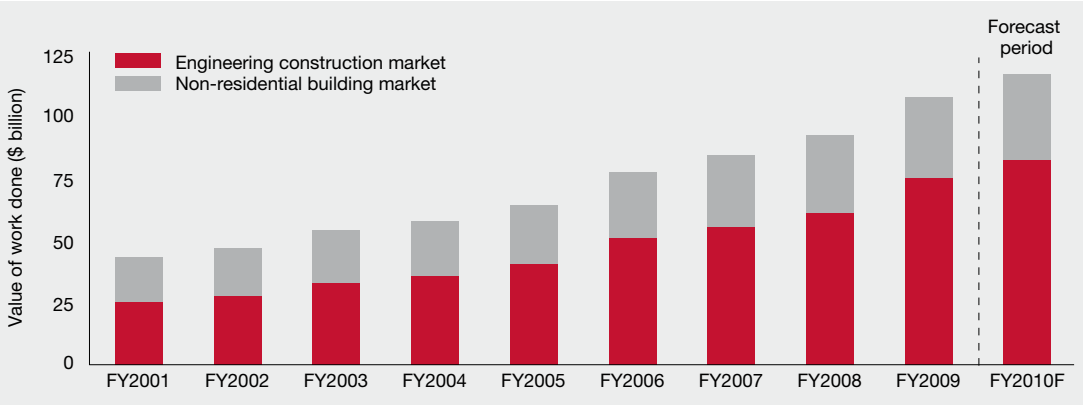
- strong economic growth in Australia, with the International Monetary Fund ("IMF") forecasting the Australian economy to grow by 3% in CY2010, which compares favourably to the growth of other developed economies[3];
- Australia's growing population and ageing demographics, which are expected to put further pressure on Australia's existing infrastructure:
  - Australia's population is projected to grow at a CAGR of 1.4% to approximately 29.2 million by FY2030[4]; and
  - the number of Australians aged over 65 years is forecast to increase by 87% between FY2010 and FY2030[4];
- strong focus on upgrading Australia's infrastructure base:
  - $160 billion of proposed 'nation building' infrastructure projects to be undertaken over the next four years have been announced, as well as the Federal Government's proposed National Broadband Network project. In aggregate, BIS Shrapnel forecasts this to translate into $28 to $33 billion per annum of public sector funded construction work to be done over the next four to five years[5]; and
- demand for ancillary infrastructure for major projects in the mining, and oil and gas sectors driven by expected ongoing demand for Australian commodities from emerging economies.

The Australian Services industry is valued at an estimated $31 billion[6]. Within the Services industry, Valemus primarily operates in the industrial facilities and civil infrastructure markets, which account for approximately $24 billion (or 77%) of the total value of the industry. Following a period of relatively stable investment levels in FY2009 and FY2010, maintenance expenditure is expected to increase[6] primarily driven by:

- new infrastructure projects becoming operational following successive years of growth in engineering construction and non-residential building activity;
- a shift to addressing the backlog of maintenance works;
- the ongoing shift towards the outsourcing of maintenance services driven by recognition of the efficiency benefits associated with the outsourcing of non-core operations; and
- the expected increase in investment in new infrastructure.

Refer to Section 4 for further information in relation to the Australian construction and Services industries.

Figure 1.11 – Estimated total value of work done in the Australian engineering construction and non-residential building markets



Source: BIS Shrapnel (2010), Engineering Construction in Australia FY2010–FY2024; BIS Shrapnel (2010), Work Done Forecasts of Building Activity. Market sizes represent estimates calculated by value of work done measured in FY2008 prices.

Notes:

1. Australian Bureau of Statistics, September 2009, based on the construction industry gross value added amount of $85 billion in FY2009 and $47 billion in FY2001.
2. Australian Bureau of Statistics, September 2009. Determined by value of work done in FY2009 measured in FY2008 prices.
3. IMF World Economic Update, April 2010.
4. Commonwealth of Australia, 2010, Australia to 2050: Future Challenges.
5. BIS Shrapnel (2010), Engineering Construction in Australia.
6. BIS Shrapnel (2008), Maintenance in Australia FY2008–FY2023. Determined by total Australian maintenance expenditure in FY2008 measured in FY2008 prices.

1.2.6 Identified growth opportunities

Valemus believes that it is well positioned to capitalise on its strong market position and the attractive outlook for the construction and Services industries in Australia. Valemus intends to diversify further its businesses by increasing its regional and sector exposure within engineering construction and expanding its Services business, while maintaining its strong market position in the non-residential building market. Table 1.1 highlights the key growth opportunities identified by Valemus.

Table 1.1 – Growth opportunities for Valemus

Increase exposure to engineering construction in Australia	– Valemus is seeking to diversify and expand its engineering construction business in Australia by pursuing key initiatives which include: – geographic expansion by leveraging Valemus' technical capabilities to increase its existing presence in Western Australia and expand its operations in Queensland and South Australia in order to increase its exposure to engineering construction growth in these regions; and – capitalising on current expertise and further developing specialised capabilities in target sectors, including rail, bridges, tunnels, power, mining, oil and gas, water, telecommunications and marine.
Grow the Services business organically and through complementary acquisitions	– Valemus is seeking to build further upon its strong position in existing sectors and increase services to the power, mining, and oil and gas sectors, both organically and through complementary acquisitions.

Refer to Section 5.5 for further details on Valemus' strategies for growth.

1.2.7 Experienced Management and Board with highly skilled senior staff

Valemus' senior management team is led by CEO Peter Brecht who has over 21 years experience with Valemus. He is supported by CFO Darrell Hendry who has over 25 years experience with Valemus and was previously the CFO of Abigroup during its period as a publicly listed company on ASX.

The managing directors of the Valemus Businesses each have over 20 years experience in the construction and/or Services industries and have been involved in the delivery of a large number of infrastructure and building projects across a range of contract delivery methods.

Valemus has highly skilled senior staff with significant project management expertise and tenure, a strong track record of delivering growth and a disciplined approach to risk management. Valemus' senior staff are supported by a substantial workforce of over 6,800 employees, providing Valemus with a competitive advantage over smaller contractors when tendering for large, complex projects.

The Board will be comprised of a majority of Non-Executive Directors with extensive public company experience in industries aligned with Valemus' core operating environments, including general industrials, mining, oil and gas, as well as the public sector.

Refer to Sections 5.6, 6.1 and 6.2 for further information in relation to Valemus' employees, the senior management team of Valemus and the Board.

1.3 KEY INVESTMENT RISKS

Investors should be aware that there are risks associated with any investment in the stock market. In addition, there are a number of risk factors specific to Valemus, the industries in which it operates and the general business environment. These risk factors may be outside the control of Valemus, the Directors and management and may impact the operating and financial performance of Valemus.

Certain key areas of risk associated with an investment in Valemus Limited include (but are not limited to) the following risks. Other material risks are set out in Section 10.

Adverse economic conditions
The operating and financial performance of Valemus is influenced by a variety of general economic and business conditions in Australia which are outside the control of Valemus, the Directors and management. Demand for Valemus' services will be affected by the extent to which construction and Services projects proceed. If private sector spending does not recover quickly enough to replace decreased government stimulus spending, or if announced government spending does not eventuate or is delayed, construction activity in Australia may be lower than anticipated. A deterioration in general economic conditions may result in lower levels of construction and Services activity, which may have an adverse impact on Valemus' future financial performance and position.

Project selection and pricing
Valemus regularly enters into contracts following a competitive tendering process. Failure by Valemus to properly assess and manage project risks may result in cost overruns which cause the project to be less profitable than expected or loss making. If Valemus decides to submit a tender, numerous assessments will then be made by Valemus on key pricing factors relating to costs and construction schedule. If such assessments are incorrect and Valemus is unable to recover consequential cost increases, this may have an adverse impact on Valemus' future financial performance and position.

Competition and securing of new business
Valemus operates in a competitive environment and the sustainability of growth and profit margin in Valemus' businesses is dependent on its ability to secure profitable new business on a regular basis. Valemus maintains Abigroup and Baulderstone as separate businesses with strict probity processes, allowing both to tender for the same projects. Further, timing of contracts being awarded is unpredictable and outside the control of Valemus, the Directors and management. A deterioration in Valemus' competitive position, loss of market share, failure of probity processes, or delays in the award of contracts may have an adverse impact on Valemus' future financial performance and position.

Project delays
Delays and interruptions to projects may occur due to a range of factors, such as project documentation changes, legal disputes, supply of materials and labour, and inclement weather conditions, and may give rise to delays in the completion of a project. Such delays may result in unrecoverable cost increases and compensation payable by Valemus for late completion, which may adversely impact Valemus' future financial performance and position. Delays can also impact profit recognition in a particular financial period, which may have an impact on Valemus' financial performance and position in that period.

Attraction and retention of personnel
Valemus' future success depends upon its ability to attract and retain key personnel (including the senior management team of Valemus and senior project managers) and operational staff, who have experience in, and knowledge of, the construction and Services industries. An inability to attract or retain key personnel and operational staff may have an adverse impact on Valemus' future financial performance and position.

Changes in business mix
The basic terms and conditions of the contracts entered into by Valemus vary considerably and may change over time. Each contract type reflects different allocations of risk between Valemus and its customers. New types of contracts, or a change in the mix of contract types under which Valemus undertakes work, may require Valemus to assume a higher degree of risk in its business. If Valemus was unable to assess and appropriately price those risks, then this may have an adverse impact on Valemus' future financial performance and position.

Availability of credit
Valemus will have credit facilities, consisting of its Guarantee Facilities and finance and operating leases. The Guarantee Facilities are subject to a limit on the aggregate amount of bank guarantees, insurance, performance and payment bonds or letters of credit issued from time to time under the facilities of $1.36 billion, which Valemus expects to be sufficient to support its current level of operations and identified growth opportunities. If the current size of Valemus' Guarantee Facilities is insufficient or Valemus is unable to obtain additional or replacement funding on favourable terms in the future, Valemus' ability to fund working capital and other capital requirements, take advantage of opportunities, undertake future projects, fund acquisitions, develop new business initiatives or respond to competitive pressures may be adversely affected or Valemus may be required to limit or reduce the scope of its operations.

Damage to reputation
Valemus' reputation for quality and performance is a key asset of its business. However, it can be adversely affected by a number of factors, including accidents, poor performance, inadequate probity procedures, negligence, or adverse media coverage. Such matters may significantly damage Valemus' reputation and adversely impact its future financial performance and position.

1.4 SUMMARY PRO FORMA FINANCIAL INFORMATION

Table 1.2 summarises Valemus' pro forma Historical Financial Information and the pro forma Forecast Financial Information prepared by the Directors. The financial information presented in the table below is intended as a summary only and should be read in conjunction with the more detailed discussions of the Historical Financial Information and the Forecast Financial Information, as well as the risk factors, set out in Sections 7 and 10, respectively.

Table 1.2 – Valemus' pro forma historical and pro forma forecast consolidated income statements

Year to 31 December ($ million)	Pro forma historical[5]			Pro forma forecast[6]
	CY2007	CY2008	CY2009	CY2010
Gross revenue[1]	**3,517**	**4,281**	**4,766**	**4,600**
Revenue growth		*21.8%*	*11.3%*	*(3.5%)*
Gross expenses[1]	(3,348)	(4,042)	(4,563)	(4,380)
EBITDA	**169**	**239**	**203**	**220**
EBITDA growth		*41.9%*	*(15.1%)*	*8.3%*
EBITDA margin (% of gross revenue)	*4.8%*	*5.6%*	*4.3%*	*4.8%*
Depreciation and amortisation[2]	(26)	(37)	(40)	(42)
EBIT	**143**	**202**	**163**	**178**
EBIT growth		*41.3%*	*(19.5%)*	*9.5%*
EBIT margin (% of gross revenue)	*4.1%*	*4.7%*	*3.4%*	*3.9%*
Net financing costs				(12)
Pre-tax profit				**166**
Tax expense				(50)
NPAT				**116**
Reconciliation to statutory income statement				
Pro forma EBIT	143	202	163	178
Net adjustments[3]	(19)	(27)	(16)	(7)
Statutory EBIT[4]	124	175	147	171

Notes:

(1) Valemus equity accounts for its construction joint ventures in its statutory accounts (meaning that only the net amount, being revenue minus expenses, from these joint ventures is included in those statutory accounts). However, in this table, gross revenue and gross expenses include Valemus' revenue and expenses from all business activities, including its share of revenue and expenses recognised by its construction joint ventures. This reflects the level of operations being undertaken by Valemus both through its wholly owned businesses and its construction joint ventures. Whilst this is a different treatment to that under Australian Accounting Standards, the disclosure in the pro forma financial information presented is consistent with the information used by Directors to review and manage the financial results of Valemus and its construction joint ventures.

(2) The depreciation and amortisation expense excludes project specific depreciation charges.

(3) Refer to Section 7.9 for a further explanation of the historical and forecast pro forma adjustments that relate to the financial impact of the Blacktown Shopping Centre Litigation (refer to Section 11.4.3 for further details), one-off business developments costs in India, a one-off employee separation payment, and the impact of transaction and Listing costs.

(4) Statutory EBIT refers to EBIT derived from BB Finance Australia Pty Ltd's ("BBFA") statutory accounts for CY2007, CY2008 and CY2009. Statutory EBIT for FY2010 is derived from the Forecast Financial Information prepared by the Directors. EBIT is presented on the basis of the accounting policies adopted at 31 December 2009.

(5) The historical consolidated income statements have been presented before net financing costs and tax expense due to the different capital and debt structure that will be in place following the Offer.

(6) The Forecast Financial Information is based on assumptions and accounting policies set out in Section 7 and is subject to the risks set out in Section 10. There is no guarantee that the forecast financials will be achieved.

1.5 DIVIDEND POLICY

Dividends to Shareholders, to the extent they will be paid, are expected to be payable in arrears for the six month periods ended 30 June and 31 December. As such, subject to the financial forecasts being achieved, available distributable profits and other relevant factors, the first dividend the Directors expect to declare will be a dividend for the six months ending 31 December 2010, forecast to be 4.5 cents per Share (expected to be paid in March 2011).

The CY2010 dividend yield based on this part year dividend annualised for the 12 months to 31 December 2010 is forecast to be 3.6% to 4.1%, based on the Indicative Price Range. Beyond the Forecast Period, Valemus' proposed dividend policy is to distribute at least 50% of net profit after tax.

Valemus intends to frank and impute dividends to the greatest extent possible. Refer to Section 7.7.1 for further information.

After CY2010, subject to available profits and the financial position of Valemus Limited, an interim dividend is expected to be payable annually in September, with a final dividend payable annually in March. No guarantee can be given about future dividends, or the level of franking or imputation of such dividends (if any), as these matters will depend upon future events, including the profitability, growth opportunities, and financial and taxation position of Valemus. The payment of dividends by Valemus Limited will be at the complete discretion of the Directors.

Valemus Limited proposes to pay dividends to shareholders with registered addresses in Australia into nominated Australian bank or financial institution accounts by direct credit. It does not propose to pay dividends to these shareholders by cheque.

1.6 OVERVIEW OF THE OFFER

The Offer made under this Prospectus consists of the Retail Offer (comprising the Broker Firm Offer, Employee Offer and Priority Offer) and the Institutional Offer.

All Shares available under the Retail Offer and the Institutional Offer are issued under and subject to the disclosures in this Prospectus, and will rank equally with each other.

Refer to Section 3 for further details of the Offer.

1.7 PURPOSE OF THE OFFER AND USE OF PROCEEDS

The purpose of the Offer is to:

- raise capital to fund the acquisition of BB Finance Australia Pty Ltd ("BBFA") and Bilfinger Berger Australia Pty Ltd ("BBA"), which are the current holders of the Valemus Businesses, from Bilfinger Berger AG ("BBAG");
- capitalise Valemus further to position it to compete for and deliver large scale, complex engineering construction and building projects;
- list Valemus Limited on ASX, which will provide Valemus with additional financial flexibility to pursue growth opportunities and improved access to capital markets; and
- provide a liquid market for the Shares and an opportunity for employees and other persons to invest in Valemus Limited.

The total gross proceeds of the Offer and the market capitalisation following the Offer will be equal to the number of Shares issued under the Institutional Offer multiplied by the Final Price, plus the number of Shares issued under the Retail Offer multiplied by the Retail Price. The total gross proceeds of the Offer are expected to be between $1,221 million and $1,388 million, based on the Indicative Price Range.

The proceeds of the Offer will be applied to:

- fund the acquisition of 100% of BBFA and BBA by a wholly owned subsidiary of Valemus Limited;
- capitalise Valemus further through the retention of $200 million of the proceeds for use in the ordinary course of Valemus' business; and
- pay the fees and expenses of the Offer.

1.8 ENQUIRIES

All questions relating to this Prospectus should be directed to the Valemus Offer Information Line on 1300 084 563 (within Australia) or +61 3 9415 4285 (outside Australia) between 8.30am and 5.00pm Sydney Time, Monday to Friday. This Prospectus and information about the Offer are also available on the Valemus Offer website at www.valemusoffer.com.au.

If you are unclear in relation to any matter or are uncertain as to whether Valemus Limited is a suitable investment for you, you should seek professional advice from your stockbroker, solicitor, accountant or other independent professional adviser.

STaPS – Sewage Treatment and Pump Stations, VIC (Baulderstone)

2 KEY QUESTIONS

Topic	Summary	Information
What is the Offer?	The Offer is an initial public offering ("IPO") of approximately 555 million fully paid ordinary shares in Valemus Limited. Based on the Indicative Price Range for the Offer of $2.20 to $2.50 per Share, the gross proceeds from the Offer are expected to be in the range of $1,221 million to $1,388 million.	Section 3.1
Who is the issuer of this Prospectus?	Valemus Limited, a company incorporated in Australia and taken to be registered in Victoria.	Inside Front Cover and Sections 3.4 and 11.1
What does Valemus do?	Valemus is one of the largest multi-service contractors across the construction and Services industries in Australia. Valemus operates in the construction industry, through Abigroup and Baulderstone, and in the Services industry, through Conneq.	Section 5.1
Where will the Shares be listed?	Applications will be made to ASX for permission to list the Company on ASX and quote the Shares under ASX code VLM. It is anticipated that quotation will initially be on a conditional and deferred settlement basis.	Inside Front Cover and Section 3.9

What is the Offer structure?	The Offer made under this Prospectus is structured as follows:
	– the Retail Offer, consisting of the:
	  – Broker Firm Offer;
	  – Employee Offer; and
	  – Priority Offer; and
	– the Institutional Offer.
	The Retail Offer and Institutional Offer are conditional on each other. If one does not proceed, the other will not proceed.
		Sections 3.5, 3.6 and 3.7

What is the purpose of the Offer?	The purpose of the Offer is to: – raise capital to fund the acquisition of BBFA and BBA, which are the current holders of the Valemus Businesses, from BBAG; – capitalise Valemus further to position it to compete for and deliver large scale, complex engineering construction and building projects; – list Valemus Limited on ASX, which will provide Valemus with additional financial flexibility to pursue growth opportunities and improved access to capital markets; and – provide a liquid market for the Shares and an opportunity for employees and other persons to invest in Valemus Limited. The proceeds of the Offer will be applied to: – fund the acquisition of 100% of BBA and BBFA by a wholly owned subsidiary of Valemus Limited; – capitalise Valemus further through the retention of $200 million of the proceeds for use in the ordinary course of Valemus' business; and – pay the fees and expenses of the Offer.	Sections 3.2 and 3.3
Who are the owners of the BBA Group as at the date of this Prospectus and are they retaining an interest?	The BBA Group is wholly owned by BBAG, an internationally active multi-service group for industry, real estate and infrastructure with headquarters in Mannheim, Germany. BBAG has been operating since 1906 and listed on the Frankfurt Stock Exchange since May 1912. Under the Sale Agreement, BBAG has agreed to sell 100% of its interests in the BBA Group to a wholly owned subsidiary of Valemus.	Sections 3.4 and 11.4.1

Topic	Summary	Information
Is the Offer underwritten?	The Offer is not underwritten.	Section 3.8
What will the market capitalisation of Valemus Limited be on completion of the Offer?	The market capitalisation of Valemus Limited on completion of the Offer will be between $1,221 million and $1,388 million, based on the Indicative Price Range.	Key Offer statistics
How will the Final Price be set?	An Indicative Price Range of $2.20 to $2.50 per Share has been set for the Offer. The Final Price will be determined by BBAG in agreement with the Global Coordinators and Joint Bookrunners and in consultation with the Company. Successful Applicants in the Institutional Offer will pay the Final Price which will be set after the conclusion of the Institutional Offer and Retail Offer and may be set at a price within, above or below the Indicative Price Range. The Final Price for Successful Applicants in the Retail Offer will be the Retail Price, being the lower of $2.50 and the Final Price.	Section 3.1
What are the tax implications of investing in the Offer?	Australian tax resident Shareholders will be subject to Australian tax on dividends. The tax consequences for investors will differ depending on their individual circumstances. Investors should consider seeking tax advice prior to making an investment in Valemus Limited.	Sections 3.11 and 9
What is the forecast annualised CY2010 dividend yield?	Subject to the Directors' forecast being achieved and other relevant factors, the first dividend the Directors expect to declare will be a dividend for the six months ending 31 December 2010 (expected to be paid in March 2011). The CY2010 dividend yield based on this part year dividend annualised for the 12 months to 31 December 2010 is forecast to be 3.6% to 4.1% based on the Indicative Price Range. Valemus intends to frank and impute dividends to the greatest extent possible.	Section 7.14
Am I eligible to participate in the Offer?	The Retail Offer consists of the Broker Firm Offer, the Employee Offer and the Priority Offer. The Broker Firm Offer is open to Retail Investors in Australia and New Zealand who have received a firm allocation of Shares from their Broker. The Employee Offer is open to Eligible Employees. Eligible Employees are all employees of Valemus as at 5.00pm Sydney Time on Monday, 24 May 2010 that are not in the United States and are not, and are not acting for the account or benefit of, US Persons. The Priority Offer is open to Australian and New Zealand investors nominated by Valemus Limited, in its sole discretion(1). The Institutional Offer is open to Institutional Investors in Australia, New Zealand and certain other overseas jurisdictions. Shares will be offered and issued to the public under these Offer components – there is no general public offer under the Offer.	Section 3.6
How do Retail Investors apply for Shares?	Retail Investors can apply for Shares by completing the relevant Application Form. For further information on how to apply for Shares, refer to Section 3.6. Applicants in the Retail Offer will be required to apply for an Australian dollar value of Shares and will pay the Retail Price.	Section 3.6 and 3.7.3

Note:
(1) The Company has the discretion to extend the Priority Offer to selected persons in other jurisdictions if the Company is satisfied that it is able to do so without breaching Australian or foreign laws.

Topic	Summary	Information
What are the key dates of the Offer?	The Retail Offer opens at 9.00am Sydney Time on Wednesday, 16 June 2010. The Retail Offer closes at 5.00pm Sydney Time on Friday, 2 July 2010. The Institutional Offer opens on Tuesday, 6 July 2010. The Institutional Offer closes on Wednesday, 7 July 2010. The Shares are expected to be quoted on ASX under ASX code VLM on Friday, 9 July 2010, initially on a conditional and deferred settlement basis. Holding statements are expected to be dispatched on or about Thursday, 15 July 2010 and the Shares are expected to commence trading on a normal settlement basis on Tuesday, 20 July 2010. This timetable is indicative only. BBAG, the Company and the Global Coordinators and Joint Bookrunners reserve the right to vary the dates and times of the Offer, including to close the Offer early, extend the Closing Date or accept late Applications, either generally or in particular cases, without notification. Investors are encouraged to submit their Applications as soon as possible after the opening of the Offer as the Offer may close at any time without notice.	Important dates
What is the minimum/ maximum Application under the Offer?	The minimum Application for Broker Firm Applicants is as directed by your Broker. Applicants in the Employee Offer and the Priority Offer must apply for a minimum value of $2,000 worth of Shares and in multiples of $500 worth of Shares thereafter unless otherwise notified by Valemus. The value of Shares that may be applied for under the Retail Offer is not subject to a maximum amount however Applications may be scaled back by Brokers, or in the case of the Employee Offer and Priority Offer, by Valemus Limited and BBAG. The Global Coordinators and Joint Bookrunners, in consultation with BBAG and Valemus Limited, also reserve the right to treat any Applications in the Retail Offer which are for more than $250,000 worth of Shares or are from persons whom they believe may be Institutional Investors, as Final Price bids in the Institutional Offer or to reject the Applications. The Global Coordinators and Joint Bookrunners, in consultation with BBAG and Valemus Limited, also reserve the right to aggregate any Applications which they believe may be multiple Applications from the same person. Applicants in the Institutional Offer must bid for a minimum of 50,000 Shares. However, the Global Coordinators and Joint Bookrunners, in consultation with BBAG and Valemus Limited, reserve the right to accept smaller bids.	Sections 3.6 and 3.7
Will I be offered a minimum allocation under the Offer?	Any minimum allocation for Broker Firm Applicants is as directed by their Broker. Applicants under the Employee Offer and Priority Offer are guaranteed a minimum allocation of $2,000 worth of Shares and, in the case of the Priority Offer, such greater amounts in multiples of $500 up to the amount notified in their personalised invitation.	Sections 3.6 and 3.7
When will confirmation of successful Applications be sent?	Confirmations of successful Applications, in the form of holding statements, are expected to be dispatched on or about Thursday, 15 July 2010.	Sections 3.9 and 3.15

Topic	Summary	Information
Can the Offer be withdrawn?	The Offer may be withdrawn by Valemus Limited and BBAG, in consultation with the Global Coordinators and Joint Bookrunners. If the Offer does not proceed, all Applications and Application Monies will be returned to Applicants (without interest).	Section 3.13
Who are the advisers to the Offer?	Deutsche Bank, Goldman Sachs JBWere and Macquarie Capital Advisers are the Global Coordinators and Joint Bookrunners to the Offer. The Global Coordinators and Joint Bookrunners, as well as Commonwealth Securities and RBS are the Joint Lead Managers to the Offer. Clayton Utz is the Australian legal adviser to Valemus Limited in connection with the Offer. Ernst & Young has prepared the Investigating Accountant's Report on Historical Financial Information. Ernst & Young Transaction Advisory Services has prepared the Investigating Accountant's Report on Forecast Financial Information. PricewaterhouseCoopers is the tax adviser to Valemus Limited in connection with the Offer.	Section 11.9.1
Is there any brokerage, commission or stamp duty payable by Applicants?	No brokerage, commission or stamp duty is payable by Applicants on the acquisition of Shares under the Offer.	Section 3.10
How can I obtain further information?	By reading this Prospectus in its entirety. By speaking to your accountant, financial adviser, stockbroker, lawyer or other professional adviser. By calling the Valemus Offer Information Line on 1300 084 563 (within Australia) or +61 3 9415 4285 (outside Australia). For persons in Australia and New Zealand only, by visiting the Valemus Share Offer website at www.valemusoffer.com.au.	All Sections
Contact details	For further contact details, refer to the Corporate Directory.	Inside back cover

Adelaide Convention Centre, SA
(Baulderstone)

3 DETAILS OF THE OFFER

3.1 THE OFFER

The Offer comprises the Retail Offer and the Institutional Offer, and is for approximately 555 million Shares. BBAG is not expected to own any interest in Valemus Limited after the completion of the Offer.

All Shares under the Institutional Offer will be issued at the Final Price and all Shares issued under the Retail Offer will be issued at the Retail Price. All Shares will rank equally with each other. The Final Price will be determined by BBAG in agreement with the Global Coordinators and Joint Bookrunners and in consultation with the Company. Successful Applicants under the Institutional Offer will pay the Final Price which will be set after the conclusion of the Institutional Offer and Retail Offer and may be set at a price within, above or below the Indicative Price Range. The Final Price for Successful Applicants in the Retail Offer will be the Retail Price, being the lower of $2.50 and the Final Price. For additional information on the determination of the Final Price, refer to Section 3.7.3.

3.2 PURPOSE OF THE OFFER

The purpose of the Offer is to:

- raise capital to fund the acquisition of BBFA and BBA, which are the current holders of the Valemus Businesses, from BBAG;
- capitalise Valemus further to position it to compete for and deliver large scale, complex engineering construction and building projects;
- list Valemus Limited on ASX, which will provide Valemus with additional financial flexibility to pursue growth opportunities and improved access to capital markets; and
- provide a liquid market for the Shares and an opportunity for employees and other persons to invest in Valemus Limited.

3.3 USE OF OFFER PROCEEDS

The total gross proceeds of the Offer will be equal to the number of Shares issued under the Institutional Offer multiplied by the Final Price, plus the number of Shares issued under the Retail Offer multiplied by the Retail Price. The total gross proceeds of the Offer are expected to be between $1,221 million and $1,388 million, based on the Indicative Price Range.

The proceeds of the Offer will be applied to:

- fund the acquisition of 100% of BBA and BBFA by a wholly owned subsidiary of Valemus Limited;
- capitalise Valemus further through the retention of $200 million of proceeds for use in the ordinary course of Valemus' business; and
- pay the fees and expenses of the Offer.

Table 3.1 – Indicative sources and uses of funds (based on the mid-point of the Indicative Price Range)

Sources	$ million
Gross proceeds under the Offer	1,304

Uses	$ million
Payment to BBAG in consideration for the sale of 100% of its interest in BBFA and BBA	1,047
Retention of cash for use by Valemus in the ordinary course of its business	200
Fees and expenses of the Offer	57
Total	1,304

In conjunction with the IPO, Valemus has established a three year Bank Guarantee Facility to support its business plan (please refer to Section 11.4.4 for further information). The Directors expect that Valemus will have sufficient working capital from the cash raised in the Offer, its operations and the Bank Guarantee Facility to meet its operational requirements and business needs during the Forecast Period.

3.4 BACKGROUND TO THE OFFER

As at the date of the Prospectus, BBA is wholly owned by BBAG directly and through its subsidiary BBFA. BBAG has agreed to sell 100% of its interests in the BBA Group.

A wholly owned subsidiary of Valemus Limited, Valemus Holdings Pty Ltd ("Valemus Holdings") and BBAG have entered into a Sale Agreement. Under the Sale Agreement:

- prior to the settlement of the Offer, Valemus Holdings will gain control of BBFA, BBA and their controlled entities; and
- Valemus Holdings has agreed to purchase all of BBAG's shares in BBFA and BBA on settlement of the Offer.

Refer to Section 11.4.1 for further details on the Sale Agreement, including the aggregate consideration that Valemus has agreed to pay BBAG for its shares in BBFA and BBA.

3.4.1 Shareholder structure

The ownership structure of BBA prior to the completion of the Offer and Valemus Limited (the acquirer of BBA through a wholly owned subsidiary, and the issuer of this Prospectus) at completion of the Offer is shown in Table 3.2.

Table 3.2 – Indicative ownership of Valemus Limited prior to and at the completion of the Offer

	Pre-Offer (ownership of BBA)	Potential ownership of Valemus Limited at completion of the Offer[2]
Shareholder	%	%
BBAG (directly and indirectly)	100.0	–
Directors and Management[1]	–	0.5
Shareholders pursuant to the Offer	–	99.5
Total	**100.0**	**100.0**

Notes:

(1) As part of the Priority Offer, an offer under the Deferred Share Plan will be made to a number of senior executives of Valemus and to the Non-Executive Directors. These Shares will be subject to restrictions on sale pursuant to the escrow arrangements referred to in Section 11.7.2.2.

(2) Assumes the Final Price is set at the midpoint of the Indicative Price Range. The actual number of Shares and percentage ownership of each of these parties may be below, within or above the amounts shown.

The total number of Shares on issue on completion of the Offer is expected to be approximately 555 million.

3.5 STRUCTURE OF THE OFFER

The Offer comprises the Retail Offer and the Institutional Offer. The Retail Offer, made pursuant to this Prospectus, consists of the Broker Firm Offer, the Employee Offer and the Priority Offer. Shares will be offered and issued to the public under these Offer components – there is no general public offer under the Offer.

The Institutional Offer consists of an invitation to bid for Shares made to Institutional Investors in Australia, New Zealand and certain other overseas jurisdictions and is made pursuant to this Prospectus, where applicable (refer to Section 3.7).

The allocation of Shares between the Retail Offer and the Institutional Offer will be agreed between the Global Coordinators and Joint Bookrunners and BBAG in consultation with the Company at their discretion having regard to the allocation policy described in Sections 3.6 and 3.7.

The Retail Offer and Institutional Offer are conditional on each other. If one does not proceed, the other will not proceed. All Shares offered for issue under the Offer will be issued subject to the disclosures in this Prospectus and will rank equally with each other.

3.6 THE RETAIL OFFER

The Retail Offer, made pursuant to this Prospectus, consists of the:

- Broker Firm Offer, which is open to Retail Investors in Australia and New Zealand who have received a firm allocation of Shares from their Broker;
- Employee Offer, which is open to Eligible Employees; and
- Priority Offer, which is open to investors in Australia and New Zealand nominated by Valemus Limited[1].

The Retail Offer is not open to persons in the United States or persons that are, or are acting for the account or benefit of, US Persons.

3.6.1 Broker Firm Offer

Who can apply in the Broker Firm Offer?

The Broker Firm Offer is open to Retail Investors in Australia and New Zealand who have received a firm allocation of Shares from their Broker.

How to apply in the Broker Firm Offer

If you have received an allocation of Shares from your Broker and wish to apply for Shares under the Broker Firm Offer, you should contact your Broker for information about how to submit your blue broker firm Application Form which accompanies this Prospectus and for payment instructions. Applicants under the Broker Firm Offer may contact the Valemus Offer Information Line on 1300 084 563 (within Australia) or +61 3 9415 4285 (outside Australia) to request a Prospectus and Application Form, or download a copy at www.valemusoffer.com.au. Your Broker will act as your agent and it is your Broker's responsibility to ensure that your Application Form and Application Monies are submitted before 5.00pm Sydney Time on the Closing Date or any earlier closing date as determined by your Broker.

BBAG, Valemus Limited, the Global Coordinators and Joint Bookrunners as well as the Share Registry take no responsibility for any acts or omissions committed by your Broker in connection with your Application.

Allocations under the Broker Firm Offer

Firm stock which has been allocated to Brokers for allocation to their Australian and New Zealand Retail Investors will be issued to Applicants nominated by those Brokers. It will be a matter for each Broker as to how they allocate Shares amongst their Australian and New Zealand Retail Investors, and they (and not BBAG, Valemus Limited or the Global Coordinators and Joint Bookrunners) will be responsible for ensuring that Australian and New Zealand Retail Investors who have received a firm allocation from them receive the relevant Shares (subject to the right of the Global Coordinators and Joint Bookrunners, in consultation with BBAG and Valemus Limited, to treat Applications which are for more than $250,000 worth of Shares, or which are from persons whom they believe may be Institutional Investors, as Final Price bids in the Institutional Offer, or to reject the Applications).

Note:

1. The Company has the discretion to extend the Priority Offer to selected persons in other jurisdictions if the Company is satisfied that it is able to do so without breaching any Australian or foreign laws.

Applicants under the Broker Firm Offer will be able to confirm their firm allocations through the Broker from whom they received those allocations. However, investors who sell Shares before receiving an initial statement of holding do so at their own risk, even if they have obtained details of their holding from their Broker.

Each Broker reserves the right to aggregate any Applications which it believes may be multiple Applications from the same person.

3.6.2 Employee Offer

Who can apply in the Employee Offer?
The Employee Offer is open to Eligible Employees. Eligible Employees are all employees of Valemus in Australia and New Zealand as at 5.00pm Sydney Time on Monday, 24 May 2010, who are not, and are not acting for the account or benefit of, US Persons. If you are an Eligible Employee, you should have received a personalised invitation to apply for Shares in the Employee Offer.

If you are an Eligible Employee and have not received your personalised invitation, you may request to receive a personalised invitation by calling the Valemus Offer Information Line on 1300 084 563 (within Australia) or +61 3 9415 4285 (outside Australia).

How to apply in the Employee Offer
If you are an Eligible Employee and wish to apply for Shares in the Employee Offer, you should complete the personalised Application Form which will accompany the copy of the Prospectus sent to you, on your request, after the commencement of the Retail Offer. You can request a copy of the Prospectus with your accompanying personalised Application Form online at www.valemusoffer.com.au or by calling the Valemus Offer Information Line on 1300 084 563 (within Australia) or +61 3 9415 4285 (outside Australia).

Alternatively you can obtain a copy of the Prospectus, including from www.valemusoffer.com.au, and after the commencement of the Retail Offer, apply online at that address.

Applications under the Employee Offer must be for a minimum of $2,000 worth of Shares and in multiples of $500 worth of Shares thereafter. If you are not applying online, Applications under the Employee Offer may only be made by completing and returning your personalised Application Form with an accompanying cheque, bank draft or money order for the Application Monies to the Share Registry. Cheques, bank drafts or money orders must be drawn on an Australian financial institution in Australian dollars and be made payable to "Valemus Share Offer Account" and crossed "Not Negotiable". Cash will not be accepted. Receipts for payments will not be issued. You should ensure that sufficient funds are held in the relevant account(s) to cover your cheque(s).

Applicants who apply online must pay by BPAY® and should follow the instructions set out on the online Application Form. It is the responsibility of the Applicant to ensure payments are received by the Closing Date. Your bank, credit union or building society may impose a limit on the amount which you can transact on BPAY and policies with respect to timing for processing BPAY transactions, which may vary between bank, credit union or building society.

If the amount of your cheque(s) or BPAY payment for Application Monies (or the amount for which those cheque(s) or BPAY payment clear in time for allocation) is insufficient to pay for the amount you have applied for in your Application Form, you may be taken to have applied for such lower amount as your cleared Application Monies will pay for (and to have specified that amount in your Application Form) or your Application may be rejected. Receipts for payments will not be issued.

There are instructions set out on the Application Form to help you complete it. Application Monies (either via post and accompanied by a valid and properly completed Application Form or via BPAY following the completion of the online Application Form) must be received by the Share Registry by the Closing Date.

Where to send your Application Form under the Employee Offer
If you are an Eligible Employee and are applying online, go to www.valemusoffer.com.au and complete an online Application Form. You must pay for Shares applied for online by BPAY.

If you are an Eligible Employee and are not applying online, your completed Application Form, together with a cheque, bank draft or money order for the Application Monies, should be mailed to the Share Registry, as set out below, to be received by it by the Closing Date:

Valemus Limited Initial Public Offer
c/– Computershare Investor Services Pty Limited
GPO Box 505
Melbourne VIC 8060.

Allocations under the Employee Offer
Eligible Employees who are Successful Applicants will receive a guaranteed minimum allocation of $2,000 worth of Shares at the Retail Price. Allocations in excess of the guaranteed minimum allocation will be at the absolute discretion of Valemus Limited.

3.6.3 Priority Offer

Who can apply in the Priority Offer?
The Priority Offer is open to investors nominated by Valemus Limited who are in Australia or New Zealand[1]. If you are a Priority Offer Applicant, you should have received a personalised invitation to apply for Shares in the Priority Offer.

How to apply in the Priority Offer
If you have received a personalised invitation to apply for Shares in the Priority Offer and wish to apply for Shares in the Priority Offer, you should complete the personalised Application Form which will accompany the copy of the Prospectus sent to you after the commencement of the Retail Offer. You can also request a copy of the Prospectus with your accompanying personalised Application Form online at www.valemusoffer.com.au or by calling the Valemus Offer Information Line on 1300 084 563 (within Australia) or +61 3 9415 4285 (outside Australia).

Alternatively you can obtain a copy of the Prospectus, including from www.valemusoffer.com.au, and after the commencement of the Retail Offer, apply online at that address.

Note:
1. The Company has the discretion to extend the Priority Offer to selected persons in other jurisdictions if the Company is satisfied that it is able to do so without breaching any Australian or foreign laws.

You may apply for an amount up to and including the amount indicated on your personalised invitation. Any amount applied for in excess of this may be refunded in full (without interest) or accepted in part or full. Applications under the Priority Offer for an amount less than the amount indicated on your personalised invitation must be for a minimum of $2,000 worth of Shares and in multiples of $500 worth of Shares thereafter.

If you are not applying online, Applications under the Priority Offer may only be made by completing and returning your personalised Application Form with an accompanying cheque, bank draft or money order for the Application Monies to the Share Registry. Cheques, bank drafts or money orders must be drawn on an Australian financial institution in Australian dollars and be made payable to "Valemus Share Offer Account" and crossed "Not Negotiable". Cash will not be accepted. Receipts for payments will not be issued. You should ensure that sufficient funds are held in the relevant account(s) to cover your cheque(s).

Applicants that apply online must pay by BPAY and should follow the instructions set out on the online Application Form. It is the responsibility of the Applicant to ensure payments are received by the Closing Date. Your bank, credit union or building society may impose a limit on the amount which you can transact on BPAY and policies with respect to timing for processing BPAY transactions, which may vary between bank, credit union or building society.

If the amount of your cheque(s) or BPAY payment for Application Monies (or the amount for which those cheque(s) or BPAY payment clear in time for allocation) is insufficient to pay for the amount you have applied for in your Application Form, you may be taken to have applied for such lower amount as your cleared Application Monies will pay for (and to have specified that amount in your Application Form) or your Application may be rejected.

There are instructions set out on the Application Form to help you complete it. Application Monies (either via post and accompanied by a valid and properly completed Application Form or via BPAY following the completion of the online Application Form) must be received by the Share Registry by the Closing Date.

You may be required to complete further documents as advised by the Company in order to receive Shares under the Priority Offer.

Where to send your Application Form under the Priority Offer

If you are a Priority Offer Applicant and are applying online, go to www.valemusoffer.com.au and complete an online Application Form. You must pay for Shares applied for online by BPAY.

If you are a Priority Offer Applicant and are not applying online, your completed Application Form, together with a cheque, bank draft or money order for the Application Monies, should be mailed to the Share Registry, as set out below, to be received by it by the Closing Date:

Valemus Limited Initial Public Offer
c/– Computershare Investor Services Pty Limited
GPO Box 505
Melbourne VIC 8060.

Allocations under the Priority Offer

Priority Offer Applicants who are Successful Applicants are guaranteed an allocation of Shares in the amount notified on their personalised invitation or such lesser amount validly applied for. Applications must be for a minimum of $2,000 and in multiples of $500 worth of Shares thereafter. Allocations in excess of the amounts indicated on the personalised invitations will be at the absolute discretion of Valemus Limited.

3.6.4 Acceptance of Applications under the Retail Offer

An Application in the Retail Offer is an offer by you to Valemus Limited to subscribe for Shares in the amount specified in the Application Form at the Retail Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement document) and the Application Form. To the extent permitted by law, an Application by an Applicant is irrevocable.

An Application may be accepted in respect of the full amount, or any amount lower than that specified in the Application Form, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract on allocation of Shares to Successful Applicants conditional on the quotation of Shares on ASX and Settlement.

The Global Coordinators and Joint Bookrunners, in consultation with BBAG and Valemus Limited, reserve the right to reject any Application which is not correctly completed or which is submitted by a person who they believe is ineligible to participate in the Retail Offer, or to waive or correct any errors made by the Applicant in completing their Application.

Successful Applicants in the Retail Offer will be allotted Shares at the Retail Price. Under the terms of the Offer Management Agreement, the Final Price will be determined by BBAG in agreement with the Global Coordinators and Joint Bookrunners and in consultation with the Company, after the conclusion of the Retail Offer and the Institutional Offer, as described in Section 3.7.3. Although the Final Price may be set at a price within, above or below the Indicative Price Range of $2.20 to $2.50 per Share, the Final Price for Successful Applicants in the Retail Offer will be the Retail Price, being the lower of $2.50 and the Final Price.

3.6.5 Application Monies

Application Monies received under the Retail Offer will be held in a special purpose account until Shares are issued to Successful Applicants. Applicants under the Retail Offer whose Applications are not accepted, or who are allocated a lesser dollar amount of Shares than the amount applied for, will be mailed a refund (without interest) of all or part of their Application Monies, as applicable. Interest will not be paid on any monies refunded and any interest earned on Application Monies pending the allocation or refund will be divided equally between Valemus Limited and BBAG.

You should ensure that sufficient funds are held in the relevant account(s) to cover the amount of the cheque(s), bank draft(s) or BPAY payment. If the amount of your cheque(s), bank draft(s) or BPAY payment for Application Monies (or the amount for which those cheque(s) or bank draft(s) clear in time for allocation) is less than the amount specified on the Application Form, you may be taken to have applied for such lower dollar amount of Shares as for which your cleared Application Monies will pay (and to have specified that amount on your Application Form) or your Application may be rejected.

3.6.6 Announcement of the Final Price and final allocation policy

Valemus Limited will announce the Final Price and the final allocation policy shortly after the close of the Institutional Offer. This information will be advertised in *The Australian, The Sydney Morning Herald, The Australian Financial Review* and *The Age* newspapers. The publication of this announcement is expected to occur on Friday, 9 July 2010. Applicants in the Retail Offer will also be able to call the Valemus Offer Information Line on 1300 084 563 (within Australia) or +61 3 9415 4285 (outside Australia) after 8.30am Sydney Time from that day or their Broker to confirm their allocations. However, if you are an Applicant in the Retail Offer and sell Shares before receiving an initial statement of holding, you do so at your own risk, even if you have obtained details of your holding from the Valemus Offer Information Line or your Broker.

3.6.7 Refunds

Application Monies will be refunded (in full or in part) in Australian dollars where an Application is rejected or the Offer is withdrawn or cancelled. No interest will be paid on any Application Monies refunded. Any interest which accrues on Application Monies refunded will be divided equally between Valemus Limited and BBAG. No refunds pursuant to rounding will be provided.

Refund cheques will be sent following completion of the Offer or as otherwise applicable in the circumstances outlined above.

3.7 THE INSTITUTIONAL OFFER

3.7.1 Invitations to bid

Valemus is inviting certain Institutional Investors to bid for Shares in the Institutional Offer. The Institutional Offer will comprise an invitation to Institutional Investors to bid for Shares under this Prospectus, or if outside Australia and New Zealand the International Offering Memorandum.

3.7.2 Institutional Offer process and the Indicative Price Range

The Institutional Offer will be conducted using a bookbuild process managed by the Global Coordinators and Joint Bookrunners. Full details of how to participate, including bidding instructions, will be provided to participants by the Global Coordinators and Joint Bookrunners.

Participants can only bid into the bookbuild for Shares through the Global Coordinators and Joint Bookrunners. They may bid for Shares at specific prices or at the Final Price. Participants may bid above, within or below the Indicative Price Range, which is $2.20 to $2.50 per Share. Under the terms of the Offer Management Agreement, the Final Price will be determined by BBAG in agreement with the Global Coordinators and Joint Bookrunners and in consultation with the Company, after the close of the Retail Offer and the Institutional Offer as described in Section 3.7.3.

The minimum bid size in the Institutional Offer is 50,000 Shares. However, the Global Coordinators and Joint Bookrunners, in consultation with BBAG and Valemus Limited, reserve the right to accept smaller bids.

The Institutional Offer will open on Tuesday, 6 July 2010 and close on Wednesday, 7 July 2010. BBAG, the Company and the Global Coordinators and Joint Bookrunners reserve the right to vary the dates and times of the Offer, including to close the Offer early, extend the Closing Date or accept late Applications, either generally or in particular cases, without notification.

Bids in the Institutional Offer may be amended or withdrawn at any time up to the close of the Institutional Offer. Any bid not withdrawn at the close of the Institutional Offer is an irrevocable offer by the relevant bidder to subscribe or procure subscribers for the Shares bid for (or such lesser number as may be allocated) at the price per Share bid or at the Final Price, where this is below the price per Share bid, on the terms and conditions set out in this Prospectus or International Offering Memorandum if relevant (including any supplementary or replacement document) and in accordance with any bidding instructions provided by the Global Coordinators and Joint Bookrunners to participants.

Bids can be accepted or rejected in whole or in part without further notice to the bidder. Acceptance of a bid will give rise to a binding contract on allocation of Shares to Successful Applicants conditional on the quotation of Shares on ASX and Settlement.

Details of the arrangements for notification and settlement of allocations applying to participants in the Institutional Offer will be provided to participants in the bookbuild process. In some cases, Shares allocated may be delivered by the Global Coordinators and Joint Bookrunners, or their international affiliates, pursuant to settlement support arrangements under which the relevant Shares may be issued to them and on-sold by them to satisfy the relevant allocations under the Institutional Offer.

3.7.3 The Final Price

The institutional bookbuild process will be used to determine the Final Price. Under the terms of the Offer Management Agreement, the Final Price will be determined by BBAG in agreement with the Global Coordinators and Joint Bookrunners and in consultation with the Company, after the close of the Retail Offer and the Institutional Offer. It is expected that the Final Price will be announced to the market on or about Thursday, 8 July 2010. In determining the Final Price, consideration will be given to, but will not be limited to, the following factors:

- the level of demand for Shares under the Institutional Offer at various prices;
- the level of demand for Shares under the Retail Offer;
- the objective of maximising the proceeds of the Offer; and
- the desire for an orderly secondary market in the Shares.

The Final Price will not necessarily be the highest price at which Shares could be sold. In the Institutional Offer the Final Price may be set within, above or below the Indicative Price Range. In the Retail Offer the Final Price may not exceed $2.50.

All Successful Applicants in the Institutional Offer will pay the Final Price.

3.7.4 Allocations under the Institutional Offer

The allocation of Shares amongst bidders in the Institutional Offer will be determined by the Global Coordinators and Joint Bookrunners in consultation with and having regard to the reasonable requests of the Company and in consultation with BBAG. The Global Coordinators and Joint Bookrunners in consultation with and having regard to the reasonable requests of the Company and in consultation with BBAG, will have absolute discretion regarding the basis of allocation of Shares, and there is no assurance that any bidder will be allocated any Shares, or the number of Shares for which it has bid.

The initial determinant of the allocation of Shares under the Institutional Offer will be the Final Price. Bids lodged at prices below the Final Price will not receive an allocation of Shares.

The allocation policy will also be influenced by, but not constrained by, the following factors:

- the price and number of Shares bid for by particular bidders;
- the timeliness of the bid by particular bidders; and
- any other factors that the Global Coordinators and Joint Bookrunners, in consultation with BBAG and Valemus Limited, consider appropriate, in their sole discretion.

3.8 OFFER MANAGEMENT AGREEMENT

The Offer is not underwritten. Valemus Limited, the Global Coordinators and Joint Bookrunners, and BBAG have entered into an Offer Management Agreement in respect of the management of the Offer.

Once the Final Price has been determined, the Global Coordinators and Joint Bookrunners or their affiliates will be obliged to provide settlement support in respect of successful bids in the Institutional Offer under the Offer Management Agreement. The Offer Management Agreement sets out a number of circumstances under which the Global Coordinators and Joint Bookrunners may terminate the agreement and their settlement support obligations. A summary of certain terms of the agreement and associated settlement support arrangements, including the termination provisions, is set out in Section 11.4.7.

3.9 ASX ADMISSION AND QUOTATION

It is expected that Shares will be quoted and commence trading on ASX on or about Friday, 9 July 2010, initially on a conditional and deferred settlement basis.

All contracts formed on acceptance of Applications and bids in the Institutional Offer will be conditional on the quotation of Shares on ASX and Settlement occurring under the Offer Management Agreement. Trades occurring on ASX before Settlement occurs will be conditional on Settlement occurring.

Conditional trading will continue until Valemus Limited has advised ASX that Settlement (including allotment) has occurred, which is expected to be on or about Wednesday, 14 July 2010.

If Settlement has not occurred within 14 days (or such longer period as ASX allows) after the commencement of conditional trading, all conditional trades that have occurred (and the Offer and all contracts arising on acceptance of Applications and bids in the Institutional Offer) will be cancelled and of no further effect and all Application Monies will be refunded (without interest).

Trading on ASX will then be on an unconditional but deferred settlement basis until Valemus Limited has advised ASX that initial holding statements have been dispatched to Shareholders. Trading on ASX is expected to commence on a normal settlement basis (that is, on a T+3 basis) on or about Tuesday, 20 July 2010.

Following the issue of Shares, Successful Applicants will receive a holding statement setting out the number of Shares issued to them under the Offer. It is expected that holding statements will be dispatched by standard post on or about Thursday, 15 July 2010. It is the responsibility of Applicants to determine their holding prior to trading in Shares. To assist Applicants in determining their allocation prior to receipt of a holding statement, Valemus Limited will announce details of pricing and the basis of allocations in the newspapers referred to in Section 3.6.6 on Friday, 9 July 2010. After the basis for allocations has been determined, Applicants will also be able to call the Valemus Offer Information Line on 1300 084 563 (in Australia) or +61 3 9415 4285 (outside Australia) or their Broker to confirm their allocations. **Applicants trading in Shares prior to receiving a holding statement do so at their own risk**.

Valemus Limited, the Share Registry, as well as the Global Coordinators and Joint Bookrunners, and BBAG, disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial holding statement, whether on the basis of a confirmation of allocation provided by any of them or by the Valemus Offer Information Line or through a Broker.

3.10 BROKERAGE, COMMISSION AND STAMP DUTY

No brokerage, commission or stamp duty is payable by Applicants upon acquisition of the Shares under the Offer. Various fees are payable in relation to the Offer by BBAG, Valemus Limited, and the Global Coordinators and Joint Bookrunners. Details are set out in Section 11.9.

3.11 TAXATION

The Australian taxation consequences of any investment in Shares will depend upon the investor's particular circumstances. It is the obligation of potential investors to make their own enquiries concerning the taxation consequences of an investment in Valemus Limited. If you are in doubt as to the course of action you should follow, you should consult your accountant, financial adviser, stockbroker, lawyer or other professional adviser. Section 9 sets out further information in relation to tax.

3.12 FOREIGN SELLING RESTRICTIONS

No action has been taken to register or qualify the Shares that are the subject of the Offer, or otherwise to permit a public offering of the Shares, in any jurisdiction outside of Australia. The Shares have not been, and will not be, registered under the US Securities Act and may not be offered or sold in the United States or to persons that are, or are acting for the account or benefit of, US Persons except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act. Offers to any persons in the United States or to any persons that are, or are acting for the account or benefit of, US Persons are only being made pursuant to, and in accordance with the terms described in, the International Offering Memorandum.

This Prospectus may not be distributed in the United States or elsewhere outside Australia and New Zealand unless it is attached to, or constitutes part of, the International Offering Memorandum that describes selling restrictions applicable in the United States and other jurisdictions outside Australia and New Zealand, and may only be distributed to persons to which the Offer may be lawfully made in accordance with the laws of any applicable jurisdiction. The Offer is not an offer or invitation in any jurisdictions where, or to any person to which, such an offer or invitation would be unlawful.

Each Applicant in the Retail Offer will be taken to have represented, warranted and agreed on behalf of itself and each person for whom it is applying for Shares in the Offer as follows:

- it is located in Australia or New Zealand at the time of such Application, and is not, nor is it acting for the account or benefit of, a US Person or any other foreign person;
- it has not distributed this Prospectus to any person in the United States or to any person that is, or is acting for the account or benefit of, a US Person; and
- it understands that the Shares have not been and will not be registered under the US Securities Act and may not be offered, sold or resold in the United States except in transactions exempt from or not subject to registration under the US Securities Act.

Bidders in the Institutional Offer will be required to make certain representations, warranties and covenants set out in the confirmation of allocation letter distributed to it.

No person is authorised to give any information or make any representations other than those contained in this Prospectus and, if given or made, such information or representations will not be relied upon as having been authorised by BBAG, Valemus Limited, the Global Coordinators and Joint Bookrunners or any other person, nor will any such persons have any liability or responsibility for such representations.

3.13 DISCRETION REGARDING THE OFFER

The Offer may be withdrawn by Valemus Limited and BBAG, in consultation with the Global Coordinators and Joint Bookrunners. If the Offer does not proceed, all Applications and Application Monies will be returned to Applicants (without interest).

BBAG, the Company and the Global Coordinators and Joint Bookrunners reserve the right to vary the dates and times of the Offer, including to close the Offer early, extend the Closing Date or accept late Applications, either generally or in particular cases, without notification. Under the terms of the Offer Management Agreement, BBAG in agreement with the Global Coordinators and Joint Bookrunners and in consultation with the Company, may set a Final Price which is above, within or below the Indicative Price Range, although Successful Applicants in the Retail Offer will pay the Retail Price being the lower of $2.50 and the Final Price.

3.14 ELECTRONIC PROSPECTUS

The Offer constituted by this Prospectus is available electronically only to investors in Australia and New Zealand accessing and downloading or printing the electronic version of this Prospectus within Australia and New Zealand. Persons located in Australia or New Zealand may view this Prospectus on the Valemus Offer website at www.valemusoffer.com.au. The Offer constituted by this Prospectus in electronic form is not available to investors outside Australia and New Zealand, including persons in the United States and US Persons.

Persons who access the electronic version of this Prospectus should ensure they download and read the entire Prospectus. A paper copy of this Prospectus will be provided free of charge to any person in Australia or New Zealand who requests a copy by contacting the Valemus Offer Information Line on 1300 084 563 (within Australia) or +61 3 9415 4285 (outside Australia) between 8.30am and 5.00pm Sydney Time, Monday to Friday.

Applicants using the electronic version of this Prospectus or the online Application Form on the Valemus Offer website at www.valemusoffer.com.au must be located in Australia or New Zealand. The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to or accompanying a paper copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

3.15 CHESS AND HOLDING STATEMENTS

Valemus Limited intends to apply to participate in CHESS and, in accordance with the Listing Rules and the ASTC Settlement Rules, will maintain an electronic CHESS subregister and an electronic issuer sponsored subregister.

Following the issue of Shares to Successful Applicants, Shareholders will receive an initial statement of holding that sets out the number of Shares that have been allocated to them under the Offer.

This statement will also provide details of a Shareholder's HIN in the case of a holding on the CHESS subregister, or SRN in the case of a holding on the issuer sponsored subregister. Shareholders will be required to quote their HIN or SRN, as appropriate, in all dealings with a stockbroker or the Share Registry.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS subregister, or through the Share Registry in the case of a holding on the issuer sponsored subregister. Valemus Limited or the Share Registry may charge a fee for these additional issuer sponsored statements.

3.16 ENQUIRIES

If you require assistance to complete an Application Form or require additional copies of this Prospectus, you should contact the Valemus Offer Information Line on 1300 084 563 (within Australia) or +61 3 9415 4285 (outside Australia). The Valemus Offer Information Line will be open on business days from 8.30am to 5.00pm Sydney Time, Monday to Friday until Tuesday, 3 August 2010. If you require advice as to whether to invest in Valemus Limited, you should seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser.

Mater Hospital. Newcastle, NSW
(Abigroup)

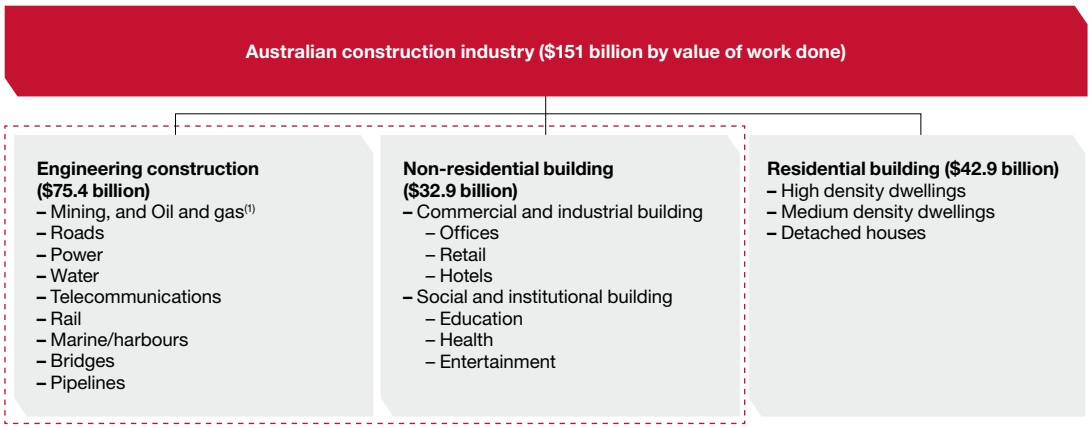
4 INDUSTRY OVERVIEW

4.1 AUSTRALIAN CONSTRUCTION INDUSTRY

4.1.1 Overview

The Australian construction industry consists of three markets, namely engineering construction, non-residential building and residential building. Valemus, through Abigroup and Baulderstone, primarily operates in the engineering construction and non-residential building markets. Valemus also undertakes a small number of residential building projects, however these are generally as part of larger mixed non-residential/residential building projects.

Figure 4.1 – Markets of the Australian construction industry



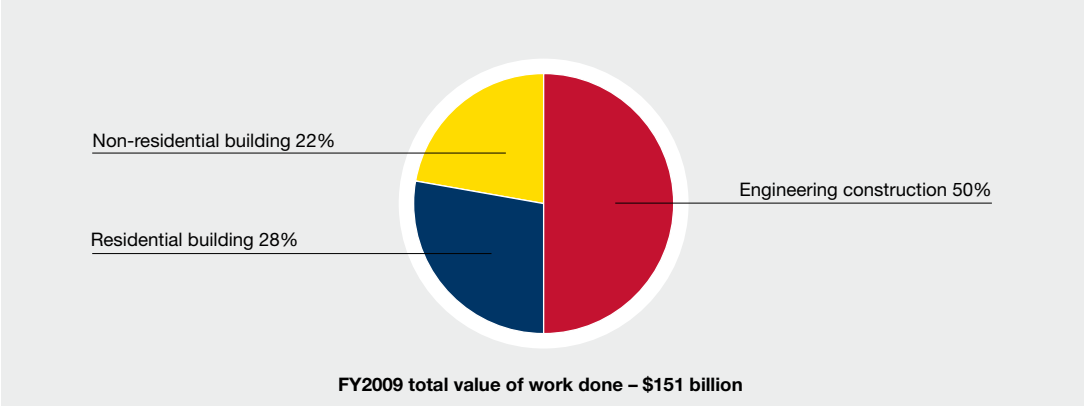
Source: Australian Bureau of Statistics, September 2009; BIS Shrapnel (2010), Engineering Construction in Australia FY2010–FY2024; BIS Shrapnel (2010), Work Done Forecasts of Building Activity. Industry and market sizes represent estimates calculated by value of work done in FY2009 measured in FY2008 prices.

Note:

(1) The mining, and oil and gas sectors also include engineering construction activity relating to heavy industry, particularly downstream minerals processing, as well as other industrial processes.

The Australian construction industry has become an increasingly significant contributor to the Australian economy, accounting for an estimated 7.1% of national GDP in FY2009 (up from an estimated 5.1% in FY2001)[1]. In FY2009, the value of work done by the Australian construction industry was estimated at approximately $151 billion, with over 75% carried out by contractors for the private sector. The largest component of construction work done in FY2009 was by the engineering construction market.

Figure 4.2 – Australian construction industry – FY2009 work done by market



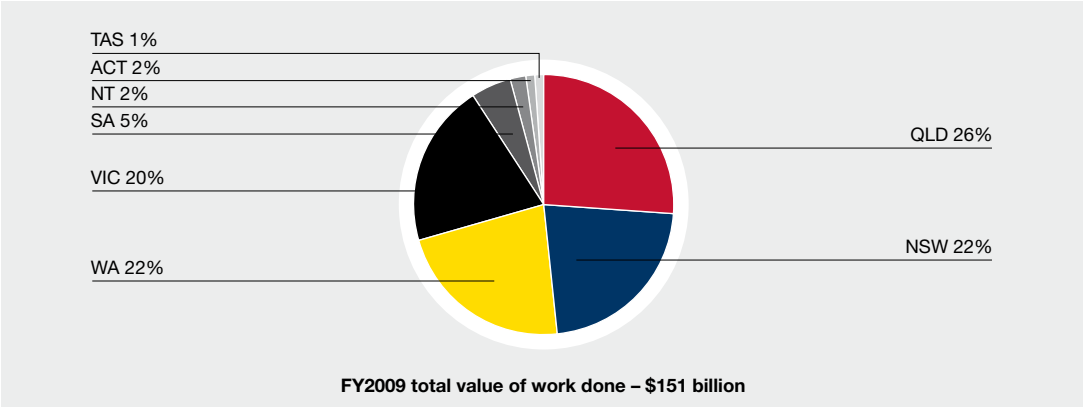
Source: Australian Bureau of Statistics, September 2009; BIS Shrapnel (2010), Engineering Construction in Australia FY2010–FY2024; BIS Shrapnel (2010), Work Done Forecasts of Building Activity. Proportions represent estimates calculated by value of work done in FY2009 measured in FY2008 prices.

The majority of construction work in Australia is undertaken in the Eastern States, reflecting the higher demand for building and infrastructure in the eastern capital cities that have larger populations and more densely populated urban areas.

Note:

1. Australian Bureau of Statistics, September 2009, based on the construction industry gross value added amount of $85 billion in FY2009 and $47 billion in FY2001.

Figure 4.3 – Australian construction industry– FY2009 work done by state



Source: Australian Bureau of Statistics, September 2009; BIS Shrapnel (2010), Engineering Construction in Australia FY2010–FY2024; BIS Shrapnel (2010), Work Done Forecasts of Building Activity. Proportions represent estimates calculated by value of work done in FY2009 measured in FY2008 prices.

However, strong demand from the mining, and oil and gas sectors has contributed to significant growth in recent years in the construction industry in Western Australia and Queensland, with the value of engineering construction work done in Western Australia rising from $3.2 billion in FY2001 to $22.4 billion in FY2009 (approximately 30% of the total engineering construction market in Australia in FY2009), and the value of engineering construction work done in Queensland growing for five successive years from FY2004 to $20.9 billion in FY2009 at a CAGR of approximately 24%[1].

4.1.2 Major markets of the Australian construction industry focused on by Valemus

Engineering construction market

Work done in the Australian engineering construction market was estimated by BIS Shrapnel to be approximately $75 billion in FY2009. Examples of engineering construction projects, and the sectors that make up the engineering construction market, are summarised in Table 4.1. Valemus has undertaken work on projects across all of these sectors, with the exception of the oil and gas sector (and associated oil and gas and chemical pipeline projects), which Valemus is currently pursuing.

Table 4.1 – Sectors of the Australian engineering construction market

Sector	Estimated size of sector FY2009 ($ billion)	Types of projects
Mining, and oil and gas(1)	25.5	Oil refineries, production, storage and distribution facilities for mining, and oil and gas projects, pumping stations, blast furnaces, steel mills and other industrial processing plants
Roads	16.2	Motorways, airport runways and road tunnels
Power	11.4	Power stations, substations, hydro electric generating plants, transmission and distribution lines
Water	4.5	Dams, reservoirs, water pipelines, mains and treatment plants
Telecommunications	3.9	Transmission towers (radio, television, microwave and radar), telephone and telegraph lines and underground cables, and coaxial cables
Railways	3.4	Tracklaying, overhead power lines and signals, platforms, tramways, and tunnels for underground railways
Marine/harbours	1.9	Ports, terminals, wharves, dredging works and marinas
Bridges	1.2	Bridges
Pipelines	0.9	Oil and gas pipelines and pipelines for chemical products
Other	6.5	Sewerage and drainage, recreation and other
Total	**75.4**	

Source: BIS Shrapnel (2010), Engineering Construction in Australia FY2010–FY2024. Sector sizes represent estimates calculated by value of work done in FY2009 measured in FY2008 prices.

Note:

(1) The mining, and oil and gas sectors also include engineering construction activity relating to heavy industry, particularly downstream minerals processing, as well as other industrial processes.

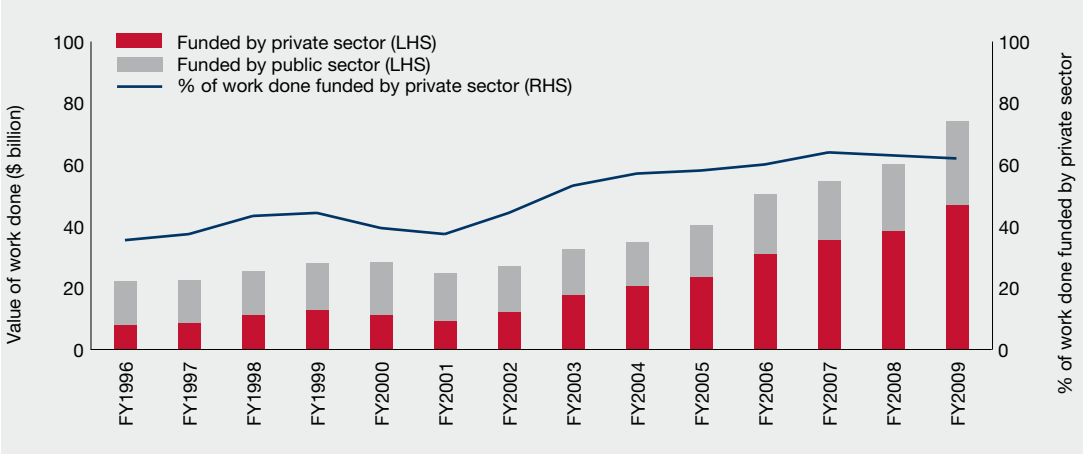
Note:

1. BIS Shrapnel (2010), Engineering Construction in Australia FY2010–FY2024. Determined by value of work done measured in FY2008 prices.

Engineering construction in Australia has historically been funded largely by the public sector. However, over the past two decades, Australia has seen the emergence of private sector funding of public infrastructure through the privatisation of public infrastructure assets, particularly in the power and telecommunications sectors, and the increased use of public-private partnerships ("PPPs"). Private sector funding, which accounted for 38% of engineering construction work done in FY2001, has increased, relative to public sector funding, to account for 63% of all activity in FY2009[1]. This growth in private sector investment in engineering construction projects has also been driven by strong growth in construction relating to the mining, and oil and gas sectors, with private sector funding in these sectors increasing at a CAGR of 34% between FY2001 and FY2009 to over $25 billion (or 33% of the total value of engineering construction work done in FY2009).

Whilst public sector funding of engineering construction projects has declined relative to private sector funding, the value of public sector funding has continued to increase over the last decade and remains an important source of funding for engineering construction projects. Accordingly, public sector policy as it relates to the use of public sector funds is expected to remain an important influence on the level of activity in the engineering construction market.

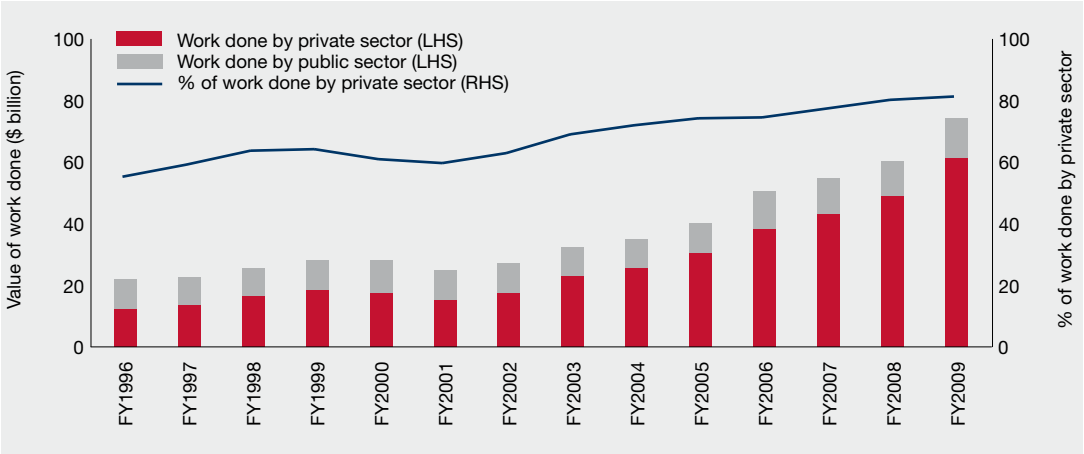
Figure 4.4 – Proportion of engineering construction work done that is funded by the private sector



Source: BIS Shrapnel (2010), Engineering Construction in Australia FY2010–FY2024. Determined by value of work done measured in FY2008 prices.

Similarly, the value of work done by the private sector has risen over the past two decades, driven by the greater private sector funding of infrastructure discussed above and an increasing propensity for the public sector to contract work out to private contractors[2]. In FY2001, work done by the private sector accounted for 61% of the total estimated value of engineering construction, and by FY2009, this proportion had risen to 83% (or $62.3 billion), with the remaining 17% undertaken by the public sector's own workforces[3]. Following this period of growth, BIS Shrapnel expects the proportion of work done by the private sector relative to the public sector to remain stable over the medium term.

Figure 4.5 – Proportion of engineering construction work done by the private sector



Source: BIS Shrapnel (2010), Engineering Construction in Australia FY2010–FY2024. Determined by value of work done measured in FY2008 prices.

Non-residential building market

The value of work done in the non-residential building market was estimated by BIS Shrapnel to be approximately $33 billion in FY2009. This market is comprised of the commercial and industrial building, and the social and institutional building sectors. Projects within these two sectors cover a diverse range of projects, as summarised in Table 4.2. Valemus has undertaken construction work on projects in all of these sectors.

Notes:
1. Australian Bureau of Statistics, December 2009, Engineering construction value of work done.
2. BIS Shrapnel (2010), Engineering Construction in Australia FY2010–FY2024.
3. BIS Shrapnel (2010), Engineering Construction in Australia FY2010–FY2024. Determined by value of work done measured in FY2008 prices.

Table 4.2 – Sectors of the Australian non-residential building market

Commercial and industrial building	
Offices	Business parks and office buildings
Retail	Shopping centres
Hotels	Short-term and long-term accommodation
Other	Warehouses, factories, storage depots, transport depots and terminals
Social and institutional building	
Education	Schools, universities, museums, art galleries, research, and private education facilities and teaching laboratories
Health	Clinics, hospitals and medical centres
Entertainment	Stadia, public halls, casinos, cinemas, grandstands, and sports and recreation centres
Other	Law courts, defence buildings and prisons

Source: BIS Shrapnel (2009), Building in Australia.

Approximately 65% of the work done in the non-residential building market in FY2009 was undertaken in the commercial and industrial sector and was predominantly funded by the private sector. According to BIS Shrapnel, building activity in the social and institutional building sector in FY2009 was predominantly publicly funded, with nearly 70% of education-related building and 60% of health-related building funded by the public sector in most states[1]. To this end, public policy with respect to the use of public sector funds is a key determinant of building activity in this sector.

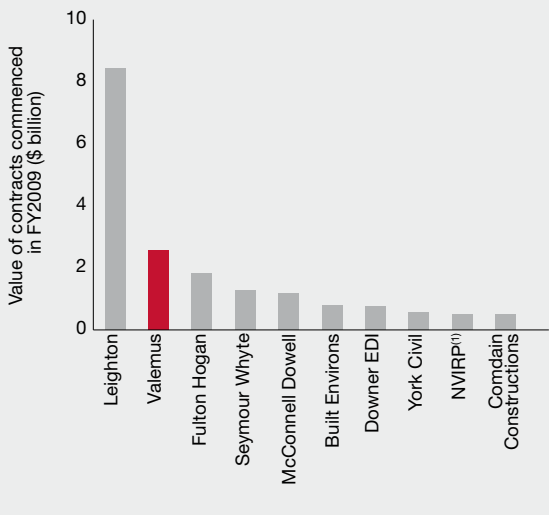
4.1.3 Competitive landscape

Although the Australian construction industry is fragmented and competitive, there are a limited number of contractors that have the capacity and track record to compete for and deliver the large, complex projects which Valemus seeks to undertake. Large, complex projects require contractors to demonstrate financial strength, access to skilled labour, specialised project management expertise, and the mobilisation of a considerable amount of capital equipment. In FY2009, the top five largest contractors operating in the Australian construction industry accounted for over 28% of the value of all engineering construction, non-residential building and multi-unit residential building projects commenced during that period, while the top 20 largest contractors accounted for over 46%[2].

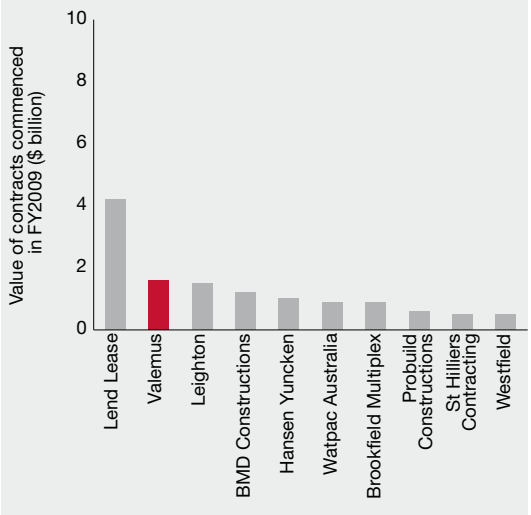
Valemus and Leighton Holdings are the two largest contractors competing for large, complex engineering construction projects and Valemus, Lend Lease and Leighton are the main contractors competing for large, complex non-residential building projects. Figure 4.6 shows the largest ten contractors in the engineering construction and non-residential building markets in Australia by value of contracts commenced in FY2009.

Figure 4.6 – Australian construction industry participants by value of contracts commenced in FY2009

Engineering construction contractors in Australia



Non-residential building contractors in Australia



Source: Estimates from HIA-Ai Group-Reed Construction Data Construction 100 2008/09.

Note: HIA-Ai Group-Reed Construction Data Construction 100 2008/09 (September 2009), by value of contracts commenced in FY2009. Engineering construction is defined by HIA as mainly roads, railways, telecommunications, and power, water and sewerage infrastructure, but excludes mining projects and engineering construction carried out by the public sector's own workforce. The value of contracts commenced in FY2009 by Leighton has been calculated by aggregating the value of contracts commenced in FY2009 by John Holland, Leighton Contractors and Thiess. The value of contracts commenced in FY2009 by Valemus has been calculated by aggregating the value of contracts commenced in FY2009 by Abigroup and Baulderstone.

Note:
(1) NVIRP represents a state-owned entity, established to plan, design and deliver the Northern Victoria Irrigation Renewal Project.

Notes:
1. BIS Shrapnel (2009), Building in Australia.
2. By value of contracts commenced in FY2009, HIA-Ai Group-Reed Construction Data Construction 100 2008/09 (September 2009). Engineering construction is defined by HIA as mainly roads, railways, telecommunications, and power, water and sewerage infrastructure, but excludes mining projects and engineering construction carried out by the public sector's own workforce.

A key requirement in order to compete for and deliver large, complex projects in the Australian construction industry is an established reputation for delivering projects on time and within budget. The criteria on which tenders for projects are assessed, often require a contractor to demonstrate its relevant capabilities, skills and experience in undertaking similar projects, as well as its reputation and size. Price competition remains critical, however customers also place significant importance on quality of work, service and safety record.

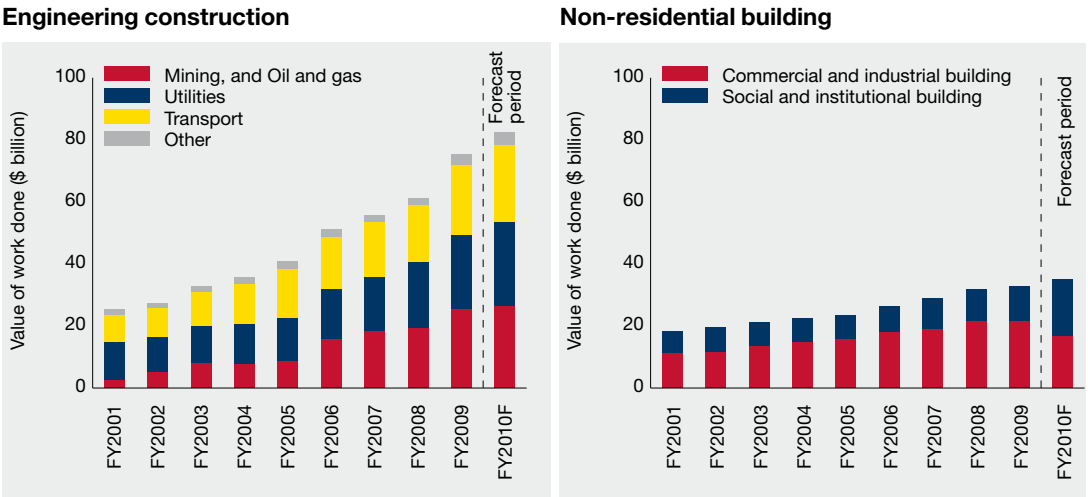
The financial strength and capacity of a contractor can also affect its competitiveness. For most projects, contractors are required to provide Guarantees, which are unconditional undertakings from banks (or other acceptable financial institutions). Guarantees are used in the construction industry to provide financial security and a level of assurance to project owners that contractors will perform the work in accordance with their contractual obligations. If a contractor is unable to arrange the necessary Guarantees, it will be unable to compete. In addition, contractors compete for quality skilled labour and equipment and must be able to demonstrate to potential customers their ability to mobilise sufficient resources to complete a particular project. In the context of these requirements, two or more contractors may combine their resources to bid for a project. Tendering through a joint venture can allow contractors to demonstrate sufficient financial capacity to undertake a large, complex project and share tender costs, as well as the financial and performance risks of large, complex projects. Joint ventures may also provide contractors with the ability to pool specialist skills, equipment and other resources.

4.1.4 Outlook and key drivers

Between FY2001 and FY2009, the Australian engineering construction and non-residential building markets within the Australian construction industry are estimated to have grown at a CAGR of 12%[1]. However, due to the impact of the economic downturn in CY2008 and CY2009 that caused the postponement of a number of engineering construction and commercial and industrial building projects, particularly in the private sector, BIS Shrapnel expects the engineering construction and non-residential building markets to grow at a lower rate of 8% in FY2010 with reduced private sector spending expected to be offset by:

- the Federal and state governments' fiscal stimulus;
- a renewed focus on essential domestic infrastructure, in particular roads, bridges, ports and railways;
- continued export demand for Australia's commodities, driving construction in the mining, and oil and gas sectors; and
- the commencement of certain large projects in FY2010 where construction costs and industry capacity had previously been an issue[2].

Figure 4.7 – Estimated total value of engineering construction and non-residential building work done in Australia



Source: BIS Shrapnel (2010), Engineering Construction in Australia FY2010–FY2024; BIS Shrapnel (2010), Work Done Forecasts of Building Activity. Sector sizes represent estimates calculated by value of work done measured in FY2008 prices.

Beyond FY2010, BIS Shrapnel expects the Australian engineering construction and non-residential building markets to experience a short-term contraction in the value of work done before private sector spending on new projects increases sufficiently to offset the completion of existing major private sector projects and the reduction in the Federal Government's fiscal stimulus. However, BIS Shrapnel does not expect the combined value of work done in the engineering construction and non-residential building markets to decline below FY2008 levels during this short-term contraction[3].

Growth in the Australian construction industry is expected to be primarily driven by:

- Australia's projected economic growth, which compares favourably to that of other developed economies;
- Australia's projected population growth and changing demographics;
- strong focus on upgrading Australia's infrastructure base; and
- expected ongoing strong demand for Australian commodities, primarily from emerging economies.

Each of these drivers is discussed below.

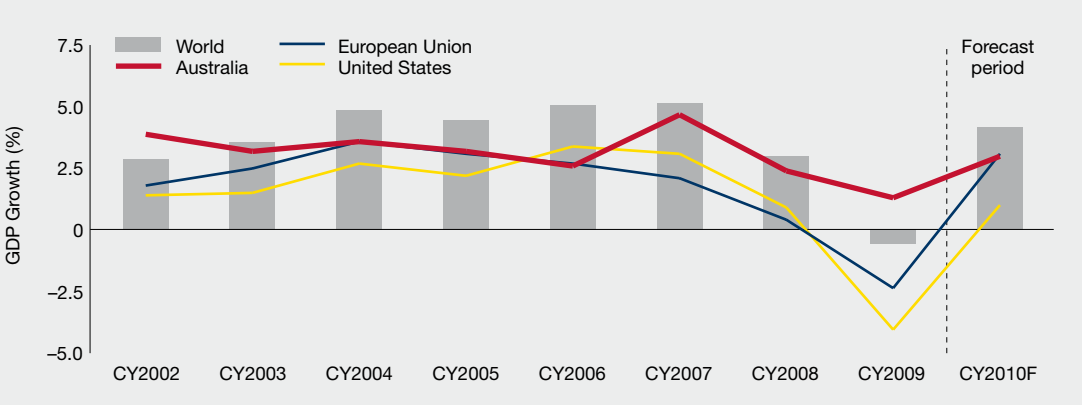
Notes:

1. Australian Bureau of Statistics (September 2009), BIS Shrapnel (2010), Engineering Construction in Australia and BIS Shrapnel (2010), Work Done Forecasts of Building Activity. Determined by value of work done measured in FY2008 prices.
2. BIS Shrapnel (2010), Engineering Construction in Australia FY2010–FY2024.
3. BIS Shrapnel (2010), Engineering Construction in Australia FY2010–FY2024 and BIS Shrapnel (2010), Work Done Forecasts of Building Activity. Determined by value of work done measured in FY2008 prices.

Australia's projected economic growth

Growth in the Australian construction industry has typically tracked growth in Australia's GDP. In its World Economic Outlook in April 2010, the IMF issued a revised forecast of 3% for Australian GDP growth in CY2010. As illustrated in Figure 4.8, this compares favourably to that of other developed economies. Furthermore, the Reserve Bank of Australia also maintained its forecasts for GDP growth in May 2010 at 3.25% for the year to 31 December 2010, following consecutive upgrades in August and November 2009 (to 2.25% and 3.25%, respectively, for the same period). This upward revision is indicative of an expected continued improvement in the Australian economy.

Figure 4.8 – Historic and forecast GDP growth



Source: IMF, World Economic Update, April 2010.

Australia's projected population growth and changing demographics

The growth and spread of Australia's population are key drivers of demand for infrastructure. Australia's population has grown at a CAGR of 1.6% since FY2004. This is significantly above the 1.2% CAGR recorded between FY1990 and FY2004. Australia's population is projected by the Federal Government to grow at a CAGR of 1.4% to approximately 29.2 million people in FY2030, putting further pressure on Australia's existing infrastructure[1]. Further, Australia's median age is increasing, with the number of people over 65 years forecast to increase by 87% between FY2010 and FY2030[1]. The Federal Government has announced plans to expand Australia's hospital system to cope with an ageing population, including a proposed investment of $3.2 billion in health infrastructure projects across Australia over the next seven years.

Strong focus on upgrading Australia's infrastructure base

Although the OECD ranked Australia in the bottom third of OECD member nations on a measure of public infrastructure investment relative to GDP in CY2009, it expects Australia's public investment in infrastructure as a percentage of GDP to increase significantly in CY2010 to the average level of investment across the OECD nations in that year[2]. Recently, both the Federal and state governments have announced a number of substantial proposals to upgrade essential public infrastructure to meet the nation's longer-term needs, resulting in BIS Shrapnel expecting public sector funded work to remain at high levels in historical terms[3].

The Federal and state governments have announced in their respective 2009–10 Budgets, over $160 billion in proposed 'nation building' infrastructure projects over the next four years, in addition to the Federal Government's proposed $43 billion National Broadband Network project. In particular, the rail, road, marine/harbours, and telecommunications sectors of the engineering construction market and the social and institutional building sector within the non-residential building market are expected to benefit significantly from the Federal and state governments' fiscal stimulus spending and infrastructure plans, should they be implemented. For example, the Federal Government announced as part of its 2009–10 Budget, plans to invest approximately $4.6 billion to improve rail networks in six major cities, $3.4 billion to improve Australia's road network and $389 million toward developing, constructing and expanding critical port infrastructure. In addition, the $16.2 billion 'Building the Education Revolution' investment announced by the Federal Government in 2009 is expected to drive activity in the social and institutional building sector, with BIS Shrapnel forecasting the sector to grow by 59% to approximately $18.3 billion in FY2010.

Further, as part of its 2010–11 Budget, the Federal Government has announced proposals for an additional $1.0 billion to be invested into freight rail, an acceleration of funding for several major road projects, and the creation of a new infrastructure fund that will be worth $5.6 billion over the next decade, funded from the recently announced proposed resources super profits tax.

BIS Shrapnel expects the combined Federal and state government initiatives to translate into approximately $28 to $33 billion per annum of public sector funded construction work done over the next four to five years.

Notes:

1. Commonwealth of Australia, 2010, Australia to 2050: Future Challenges.
2. OECD (2010), Economic Policy Reforms: Going for Growth. Based on data for 25 of 30 OECD member nations as at 10 March 2010. Data not available for Hungry, Luxembourg, Mexico, Poland and Slovak Republic. Data does not include Chile, which became an OECD member nation on 7 May 2010.
3. BIS Shrapnel (2010), Engineering Construction in Australia FY2010–FY2024.

Table 4.3 – Federal funding proposals in the 2009–10 Commonwealth Budget

Project name	Sector	State	Expected completion year	Federal Government commitment ($ billion)	Estimated project size ($ billion)(1)
National Broadband Network	Telecommunications	National	2017	4.7	43.0
Clean Energy Infrastructure	Power	National	2019	3.5	3.5
Education Infrastructure	Social and institutional building	National	2012	2.6	2.6
Hospital Infrastructure	Social and institutional building	National	2012	1.5	1.5
Hunter Expressway	Road	NSW	2013	1.5	1.7
Ipswich Motorway – additional works	Road	QLD	2012	0.9	2.0
Pacific Highway – Kempsey Bypass	Road	NSW	2014	0.6	0.6
Bruce Highway Cooroy to Curra	Road	QLD	2012	0.5	0.6
Regional Rail Express	Rail	VIC	2014	3.2	4.3
Gold Coast Rapid Transit	Rail	QLD	2013	0.4	1.1
Gawler Rail Line Modernisation	Rail	SA	2013	0.3	0.3
Noarlunga to Seaford Rail Extension	Rail	SA	2013	0.3	0.3
Northbridge Rail Link	Rail	WA	2014	0.2	0.5
O-Bahn Track Extension	Rail	SA	2011	0.1	0.1
Oakajee Port Common User Facilities	Marine/harbour/water/ power/road	WA	2014	0.3	4.0
Darwin Port Expansion	Marine/harbour	NT	2013	0.1	0.2
Total				**20.7**	**66.3**

Source: BIS Shrapnel (2010), Engineering Construction in Australia; Federal Government – 2009–10 Commonwealth Budget, Infrastructure Overview – Nation Building for the Future.
Note:
(1) Estimated total spending to completion, some of which may not be secured. BIS Shrapnel notes that not all of the amount may relate to construction work.

Expected ongoing strong demand for Australian commodities

Mining, and oil and gas-related construction has significantly contributed to the outlook for total construction activity since 2000, primarily fuelled by demand for Australian commodities from emerging economies. Strong demand for commodities is expected to drive demand for construction relating to mining, and oil and gas, and ancillary infrastructure for large, complex projects. As at 30 April 2010, there were 75 advanced minerals and energy projects with estimated capital expenditure of $109.6 billion[1]. In particular, the large number of minerals and energy projects recently commissioned and scheduled for completion in the short to medium term has provided the impetus for expanding rail and port capacity[1].

Additionally, as liquefied natural gas and coal seam gas become increasingly important in Queensland, the planned construction of liquefied natural gas and major coal seam gas facilities around Gladstone is expected to require a large investment in ancillary infrastructure around gas fields and transportation networks going forward. Similarly in Western Australia, large minerals and gas projects are expected to be key drivers for growth in the roads, railways, marine/harbours, water, pipelines and power sectors in that region.

4.2 AUSTRALIAN SERVICES INDUSTRY

4.2.1 Overview

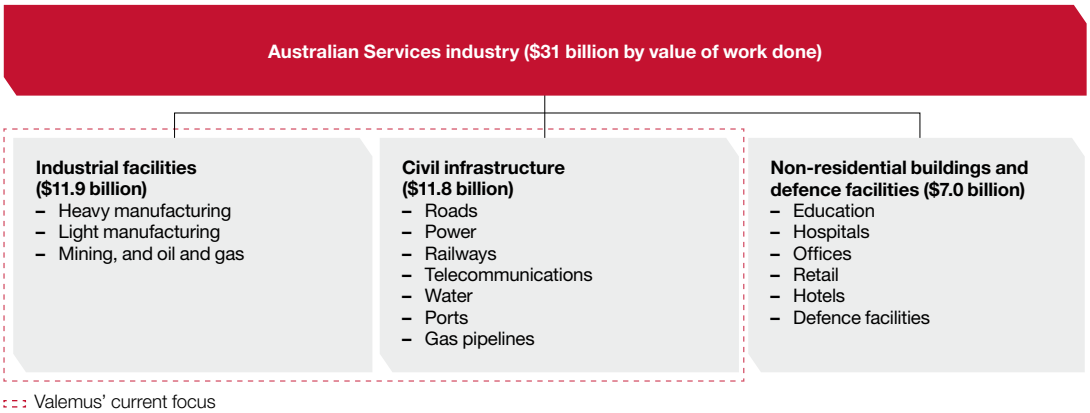
The Services industry is focused on maintaining the standard and/or quality of an asset so that it continues to perform at the standard required by asset owners. The Services industry comprises specialist infrastructure and asset management and engineering services.

The Australian Services industry consists of three markets, namely industrial facilities, civil infrastructure, and non-residential buildings and defence facilities.

Note:
1. Australian Bureau of Agricultural and Resource Economics (ABARE), Minerals and energy: Major development projects – April 2010 listing (advanced projects refer to other minerals and energy projects that are either committed or under construction).

Valemus, through its Services business Conneq, has capabilities in the industrial facilities and civil infrastructure markets, and is developing its capabilities in the non-residential building and defence facilities market by initially pursuing opportunities in the hospitals sector of that market.

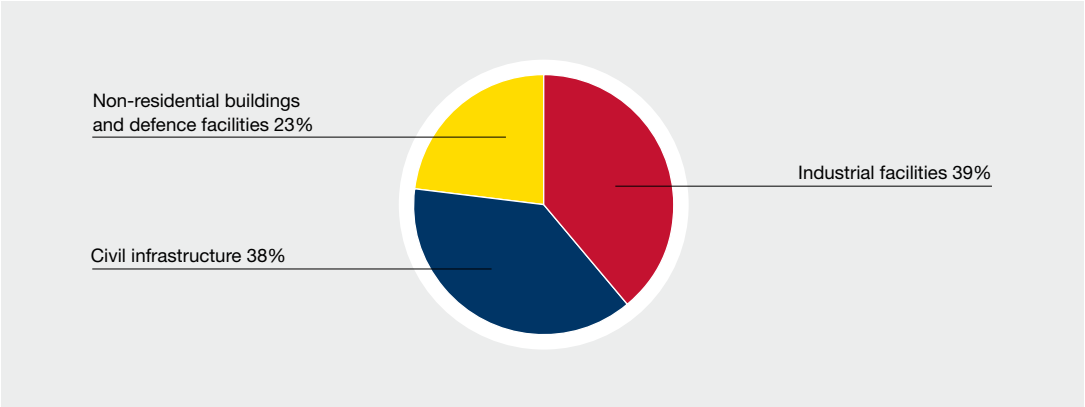
Figure 4.9 – Markets of the Australian Services industry



Note: Market size determined by maintenance expenditure in FY2008 measured in FY2008 prices. BIS Shrapnel (2008), Maintenance in Australia FY2008–FY2023.

BIS Shrapnel estimated that total Australian maintenance expenditure in FY2008 was approximately $31 billion. Maintenance expenditure on industrial facilities and civil infrastructure account for the majority of total maintenance expenditure in Australia in FY2008, representing 39% and 38% respectively, with non-residential buildings and defence facilities accounting for 23%[1].

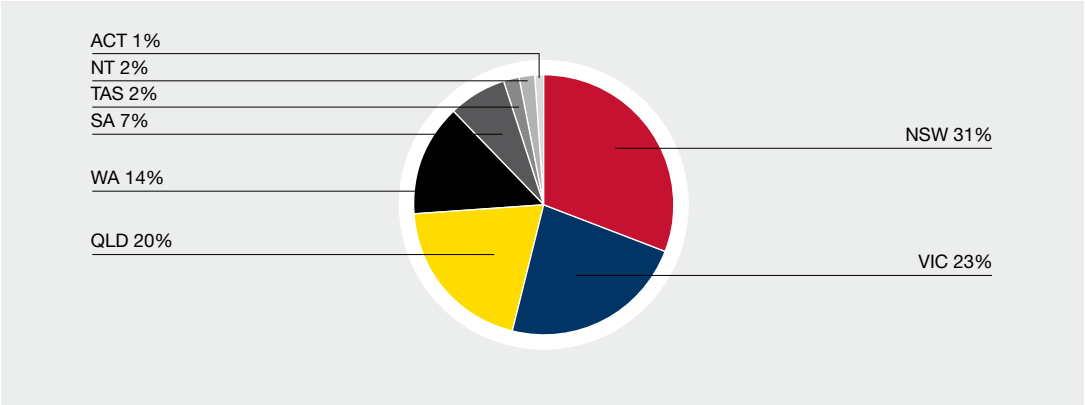
Figure 4.10 – Australian Services industry – maintenance expenditure by market



Source: BIS Shrapnel (2008), Maintenance in Australia FY2008–FY2023. Proportions represent estimates of maintenance expenditure in FY2008 measured in FY2008 prices.

Like the construction industry, the majority of maintenance services in Australia is undertaken in the Eastern States, accounting for approximately 75% of maintenance expenditure in FY2008, although Western Australia has become increasingly important, especially in relation to services to the mining, and oil and gas sectors.

Figure 4.11 – Australian Services industry – maintenance expenditure by state



Source: BIS Shrapnel (2008), Maintenance in Australia FY2008–FY2023. Proportions represent estimates of maintenance expenditure in FY2008 measured in FY2008 prices.

Of the approximately $31 billion of estimated maintenance expenditure in FY2008, BIS Shrapnel estimates that approximately 54% was outsourced to contractors.

Note:
1. BIS Shrapnel (2008), Maintenance in Australia FY2008–FY2023. FY2008 maintenance expenditure measured in FY2008 prices.

4.2.2 Major markets of the Australian Services industry

Industrial facilities

Australian industrial facilities maintenance expenditure was estimated to be approximately $11.9 billion in FY2008, of which over $5.0 billion or 41% was estimated to be outsourced to contractors[1]. As set out in Table 4.4, the industrial facilities market comprises heavy manufacturing, light manufacturing, mining, and oil and gas sectors. Valemus, through Conneq, has a strong focus on mining services, but also has operations in both the heavy manufacturing and the light manufacturing sectors.

Table 4.4 – Sectors within industrial facilities

Sector	Estimated size of sector FY2008 ($ billion)	Types of projects
Heavy manufacturing	4.1	Maintenance relating to manufacturing of petroleum, coal and chemical products, non-metallic mineral products and metal products
Light manufacturing	3.9	Process maintenance relating to products in the areas of food, beverages and tobacco, textiles and clothing, wood and paper, printing and publishing, and machinery and equipment
Mining, and oil and gas	3.9	Maintenance work in all forms of mining activities, including coal mining, oil and gas extraction, metal ore mining and other mining
Total	**11.9**	

Source: BIS Shrapnel (2008), Maintenance in Australia FY2008–FY2023. Sector sizes represent estimates calculated by value of maintenance expenditure in FY2008 measured in FY2008 prices.

Civil infrastructure

Australian civil infrastructure maintenance expenditure was estimated to be approximately $11.8 billion in FY2008, of which over $5.5 billion or 47% was estimated to be outsourced to contractors[1]. The sectors within the civil infrastructure market are set out in Table 4.5. Valemus, through Conneq, currently operates in the roads, power, telecommunications, water, and gas pipelines sectors of the civil infrastructure market.

Table 4.5 – Sectors within civil infrastructure

Sector	Estimated size of sector FY2008 ($ billion)	Types of projects
Roads	4.7	Pavement and shoulder maintenance, bridge maintenance and rehabilitation, and other non-pavement work
Power	2.5	Inspection and maintenance relating to pole and overhead lines, substations, boilers and turbines and high-voltage transmission lines
Railways	1.9	Track inspections and relaying, resurfacing, rerailing, and signals and communications maintenance
Telecommunications	1.4	Inspection and maintenance of copper wires, fibre optic networks, cellular mobile networks and wireless networks
Water	0.9	Civil maintenance and electrical and mechanical maintenance
Ports	0.2	Channel dredging, sea wall and breakwater repairs, corrosion mitigation and restoration, and equipment repairs
Gas pipelines	0.2	Pipeline inspections, valves and regulators, and metering repairs
Total	**11.8**	

Source: BIS Shrapnel (2008), Maintenance in Australia FY2008–FY2023. Sector sizes represent estimates calculated by value of maintenance expenditure in FY2008 measured in FY2008 prices.

Non-residential buildings and defence facilities

The total value of maintenance activity in the non-residential buildings and defence facilities market was estimated to be approximately $7.0 billion in FY2008, of which almost all was estimated to be outsourced to contractors[1]. The sectors within the non-residential buildings and defence facilities market are set out in Table 4.6. Social infrastructure, such as schools, universities and hospitals, represents large and technical maintenance services markets, with varied maintenance requirements and specialised equipment and maintenance skills required, especially with respect to hospitals. Valemus, through Conneq, is currently pursuing an opportunity in the hospitals sector.

Note:
1. BIS Shrapnel (2008), Maintenance in Australia FY2008–FY2023.

Table 4.6 – Sectors within non-residential buildings and defence facilities

Sector	Estimated size of sector FY2008 ($ billion)	Types of projects
Education	3.0	Building maintenance such as air conditioning, fire protection, lifts and escalators, gardening and landscaping, and specialised equipment maintenance
Hospitals	0.9	
Offices	0.7	
Retail	0.4	
Hotels	0.3	
Other non-residential buildings	1.2	
Defence facilities	0.5	Repair and maintenance of defence premises and facilities (buildings, grounds and infrastructure)
Total	**7.0**	

Source: BIS Shrapnel (2008), Maintenance in Australia FY2008–FY2023. Sector sizes represent estimates calculated by value of maintenance expenditure in FY2008 measured in FY2008 prices.

4.2.3 Competitive landscape

The Australian Services industry remains fragmented and competitive.

The competitive environment will differ depending on the market and sector, but will typically include the Leighton Group (Leighton Services (a subsidiary of Leighton Contractors), John Holland and Thiess), Transfield Services Limited, Downer EDI Limited, UGL Limited, Monadelphous Limited and smaller contractors on a site-by-site basis.

A key requirement in order to effectively compete for and deliver projects in the Services industry is an established reputation for high quality work and a strong track record for safety and timely completion. In addition, contractors compete for quality skilled labour and equipment and must be able to demonstrate to potential customers their ability to mobilise sufficient resources to complete projects. Relationships are also important with customers, upstream manufacturers and specialist engineering firms.

4.2.4 Outlook and key drivers

BIS Shrapnel expected that following a period of relative stability in FY2009 and FY2010, expenditure on maintenance services to exhibit positive growth[1]. Maintenance expenditure can be volatile year to year primarily due to the scheduling of large irregular types of maintenance, the degree of utilisation of an asset and customers' constraints to incur maintenance expenditure. In particular, the industrial facilities market is expected to experience the strongest growth across the industry primarily due to its exposure to the mining, and oil and gas sectors[1].

The attractive outlook for contractors in the Services industry is expected to be primarily driven by:

- new capital projects becoming operational following successive years of growth in engineering construction and non-residential building activity;
- a shift to addressing the backlog of maintenance works;
- the ongoing shift to outsourcing of maintenance services; and
- the expected increase in investment in new infrastructure.

Each of these drivers is discussed below.

New capital projects becoming operational following successive years of growth in engineering construction and non-residential building activity

The engineering construction and non-residential building markets within the Australian construction industry have experienced eight successive years of growth with a combined CAGR of 12% between FY2001 and FY2009 (refer to Section 4.1.4 for a discussion on the performance of the Australian construction industry generally). Following a record level of engineering construction and non-residential building activity in FY2009, BIS Shrapnel expects robust increases in operation and maintenance expenditure over the next few years as these new capital projects are completed and come on line[2].

Notes:
1. BIS Shrapnel (2008), Maintenance in Australia FY2008–FY2023.
2. BIS Shrapnel (2010), Engineering Construction in Australia FY2010–FY2024.

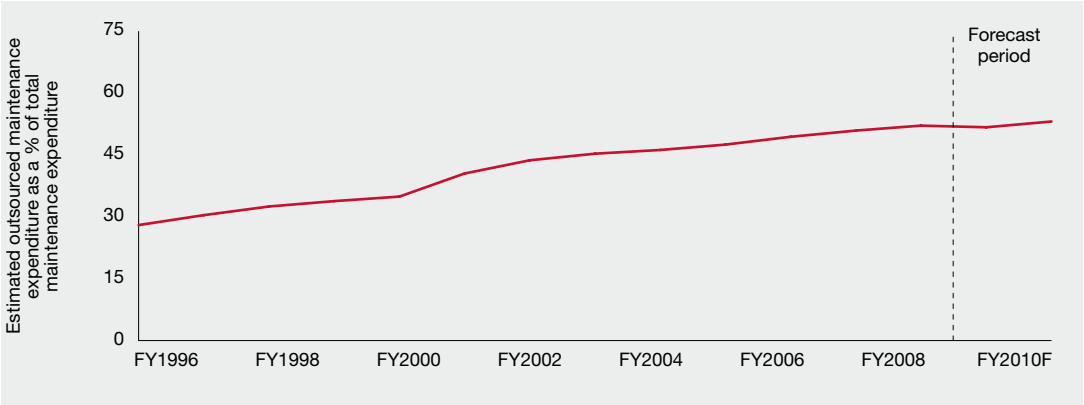
A shift to addressing the backlog of maintenance works

The strong bulk commodity prices and the high levels of utilisation rates of assets over much of the past decade have resulted in a backlog of maintenance work in the mining, and oil and gas sectors, which is expected to grow through FY2010[1]. In addition, a significant backlog of maintenance work in the road, rail and water sectors has developed following a shortfall in public funding over the last decade. With the heavy manufacturing, light manufacturing, and non-residential buildings and defence facilities sectors also reported to have a significant backlog of maintenance works, BIS Shrapnel expects maintenance expenditure in these sectors to grow to address this backlog[1].

The ongoing shift to outsourcing of maintenance services

Outsourcing in the Services industry has grown steadily over the past decade. The proportion of maintenance outsourced is estimated by BIS Shrapnel to be approximately 50%, with this proportion having increased over the past 15 years, especially in the mining, and oil and gas sectors. BIS Shrapnel expects an overall increase in the rate of outsourcing of maintenance services in Valemus' primary focus areas, driven primarily by recognition of efficiency benefits associated with outsourcing[1]. For example, in the industrial facilities market, according to BIS Shrapnel, companies have typically noted improvements in cost efficiency and the performance of plant and equipment arising from the contracting-out of maintenance activities. Specialist maintenance companies can bring customers improvements in work practices, technology and expertise at the same time as reducing the problems associated with managing an internal workforce[1].

Figure 4.12 – Estimated outsourced maintenance expenditure



Source: BIS Shrapnel (2008), Maintenance in Australia FY2008–FY2023.
Note: Data not available for all sectors for full period. Ports and telecommunications only available from 2008, gas pipelines only available from 2007, offices and hotels only available from 2002, education only available from 2001, retail only available from 1999, hospitals only available from 1997, and other non-residential buildings not available.

The expected increase in investment in new infrastructure

The strong focus on upgrading Australia's infrastructure base (as discussed in Section 4.1.4) is expected to result in additional maintenance expenditure on new infrastructure projects after they become operational[1]. In addition, continued demand for Australian commodities (as discussed in Section 4.1.4) is expected to result in increased private sector investment in construction relating to mining, and oil and gas, and ancillary infrastructure, thereby also contributing to increased demand for maintenance services going forward.

The construction of new infrastructure is expected to support the Services industry over the medium term. In the meantime, BIS Shrapnel expects that the continued use of existing infrastructure will require maintenance activity to remain elevated over the near term to facilitate the use of these older assets until the new projects are constructed[1].

Note:
1. BIS Shrapnel (2008), Maintenance in Australia FY2008–FY2023.

CLEM7 Tunnel, QLD
(Baulderstone)

5 COMPANY OVERVIEW

5.1 OVERVIEW

Valemus is one of the largest multi-service contractors across the construction and Services industries in Australia. Valemus provides comprehensive solutions for the construction of civil infrastructure and buildings, as well as a wide range of engineering and specialist asset management services. It operates in the construction industry through Abigroup and Baulderstone, and in the Services industry through Conneq. Valemus provides services to public and private sector customers across a number of sectors including roads, bridges, tunnels, water, mining, oil and gas, power, telecommunications, marine, rail, social and institutional building, commercial and industrial building and residential building. Valemus has been involved in the construction of a number of iconic infrastructure projects, including the Sydney Opera House, Anzac Bridge and the M2, M5 East and M7 Motorways in New South Wales, the Story Bridge and the CLEM7 Tunnel in Queensland, Etihad Stadium and the Melbourne Royal Women's Hospital in Victoria and the Adelaide Convention Centre in South Australia.

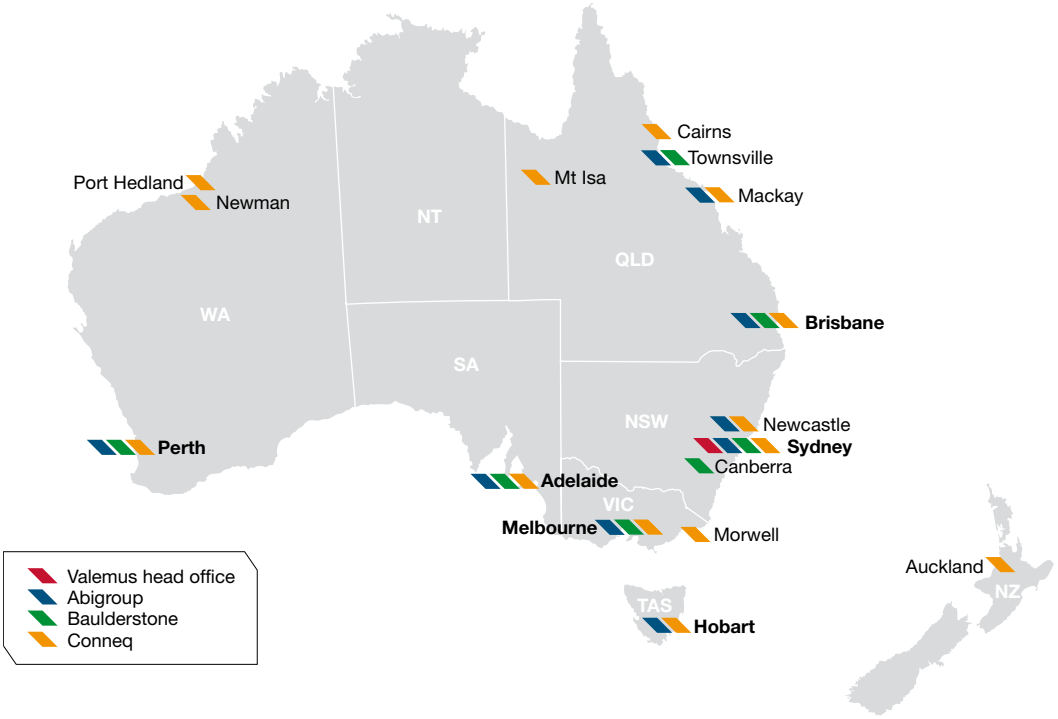
As illustrated in Figure 5.1, Valemus operates through three structurally and operationally independent businesses, namely Abigroup, Baulderstone and Conneq. In addition, Valemus has a wholly owned captive insurance business, Valemus Risk Management Services Limited ("VRMS"), which is discussed in Section 5.7.

Figure 5.1 – Valemus Businesses

5.1.1 Valemus' locations

Valemus is headquartered in Sydney, New South Wales and has operations throughout Australia and in New Zealand. Figure 5.2 illustrates Valemus' locations.

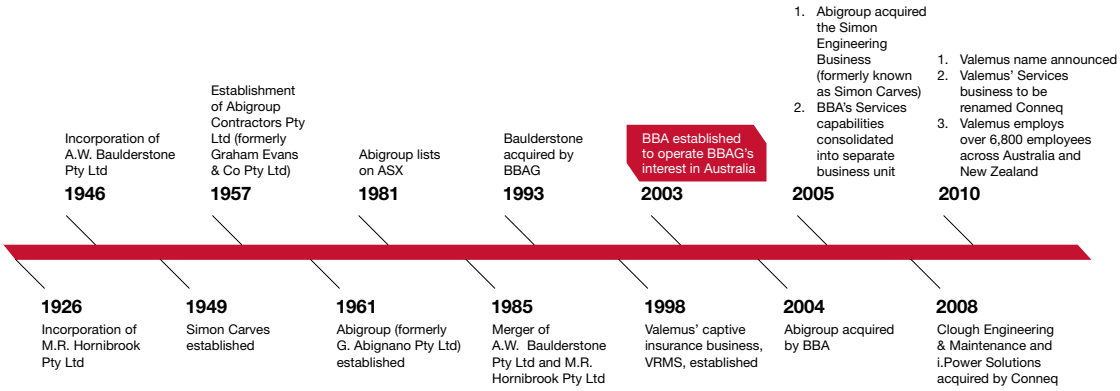
Figure 5.2 – Valemus' locations



5.1.2 Valemus history

Upon completion of the Offer, Valemus Limited will own Abigroup, Baulderstone, and a Services business that will be known as Conneq (together, referred to as the "Valemus Businesses"), as well as a wholly owned captive insurance business, VRMS. At the date of this Prospectus, these businesses are owned by BBAG through BBFA and BBA. BBAG acquired Baulderstone in 1993 and Abigroup in 2004. Abigroup and Baulderstone's operations can be traced back to 1957 and 1926, respectively, with the two businesses having delivered some of Australia's iconic infrastructure and engineering projects. In 2005, BBA's Services capabilities, the operations of which can be traced back to 1949, were consolidated to form a separate business unit, which will be known as Conneq on completion of the Offer.

Figure 5.3 – Key milestones in the formation of Valemus



5.1.3 Business model

The Valemus Businesses (Abigroup, Baulderstone and Conneq) are operated as structurally and operationally independent businesses. This structural and operational independence allows each of the businesses to focus on their own specialised strengths and experience, and to pursue specific business strategies tailored to the markets in which each operates. This business model enables the Valemus Businesses to tender for contracts independently of each other and for Abigroup and Baulderstone to, on occasion, tender for contracts in competition with each other, in compliance with their own and their customer's probity requirements. Additionally, Conneq partners with Abigroup or Baulderstone on projects to create opportunities for Valemus to undertake the design, construction, operation and maintenance of an asset.

While some contractors within the construction and Services industries will, on occasion, participate as an equity owner of projects, the Valemus Businesses do not intend to acquire any material equity interests in such projects.

Each Valemus Business has its own key management functions, which include safety, environment, risk management, financial, information technology, human resources and business development to support their respective business and implementation of their respective strategic plans.

Valemus, through its head office, provides direction on growth and strategy, and oversight in relation to corporate governance and risk management. Corporate head office functions also include independent financial and operational risk review, legal, insurance, taxation, treasury support, and corporate communications.

5.1.4 Business strategy

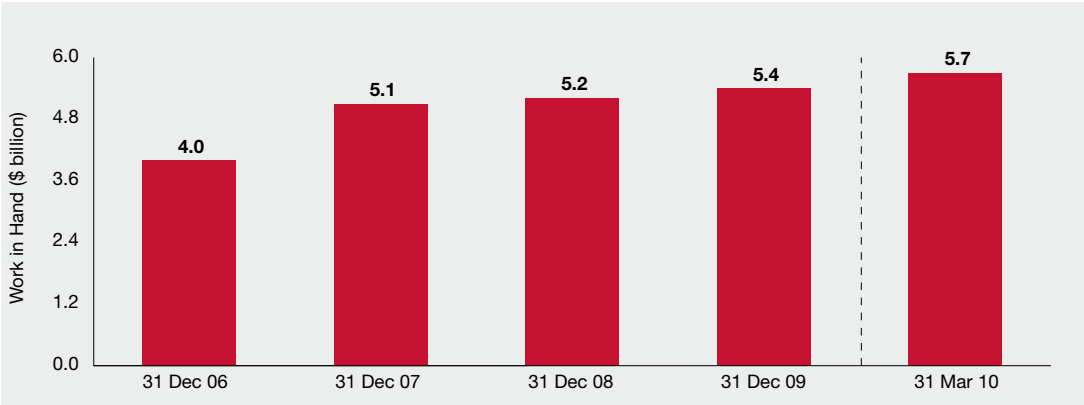
Valemus seeks to create value for its shareholders by strengthening its position as a leading Australian engineering construction and non-residential building business and by establishing itself as a leading provider of Services. In this regard, Valemus' core operating strategies are to:

- maintain its commitment to providing a safe and healthy workplace;
- maintain a disciplined approach to project selection, tendering and profitability;
- maintain a strong focus on risk management;
- maintain a strong balance sheet to support future growth;
- develop and retain a highly skilled workforce;
- identify and pursue value enhancing growth opportunities in Australia in each of the Valemus Businesses, through geographic expansion and the development of new capabilities;
- promote a sustainable approach to environmental management and social responsibility; and
- build and maintain long-term relationships with customers.

5.1.5 Work in Hand

The level of Valemus' Work in Hand influences its capacity to generate future revenue during a financial period due to the long-dated nature of contracts in the construction and Services industries. As at 31 March 2010, Valemus had a record $5.7 billion of Work in Hand, representing 1.2x its pro forma forecast CY2010 gross revenue. In addition, Valemus had a further $1.9 billion of Pending Contracts. Approximately 90% of pro forma forecast CY2010 gross revenue is expected to be generated from Secured Work and Pending Contracts as at 31 March 2010. Figure 5.4 shows Valemus' growing Work in Hand since 31 December 2006. Refer to Section 7.7 for a more detailed breakdown of Secured Work, Work in Hand and Pending Contracts.

Figure 5.4 – Valemus' Work in Hand from 31 December 2006 to 31 March 2010



5.1.6 Risk management and tender process

Risk management is a critical component of each Valemus Business. Valemus has established risk management policies governing key financial and operational aspects of each business from project selection and tendering through to contract completion, which are designed to ensure that key risks are identified, priced and managed. The responsibility for the identification and management of risk lies with all levels of management of the Valemus Businesses and senior management within Valemus' head office. Risk management procedures have been developed through the Valemus Businesses. Responsibility at first instance is with local managers, who are well positioned to identify and manage risk, and are accountable for their region and business.

The project selection and tendering phases are critical to the success of a project. When each Valemus Business is selecting and tendering for work, it will consider a number of key factors including:

- strategic fit of the project to its capabilities and experience;
- requirement for external specialist equipment or partners;
- strength of existing relationship with the potential customer;
- tender (delivery) method, level of competition and probability of success;
- timing of project commencement;
- contract conditions;
- payment conditions and liquidity impact;
- availability of resources;
- level of technical and safety risks; and
- expected return.

The above criteria are designed to ensure that the Valemus Businesses focus their resources on tendering for projects with the best probability of success and those which are most likely to generate value for Valemus.

Authority levels have been put in place to ensure that tenders are reviewed by the appropriate level of management in the organisation prior to submission. The authority levels are set on overall project value, but will also apply in circumstances where the project is considered technically complex or outside the core competencies of the Valemus Business.

Project execution teams within each Valemus Business are selected so that the requisite experience, skills, capabilities and resources are allocated to each project in order for it to be completed on time and within budget. Once a project execution team has been selected, Valemus has established procedures in place to manage the transfer of information from the bid team to the project execution team.

In addition, ongoing review during the construction phase of individual projects is undertaken by each Valemus Business in key focus areas including:

- financial performance;
- quality;
- safety (with reference to Valemus' safety management policies, as set out in Section 5.1.9);
- environment (with reference to Valemus' environmental policies, as set out in Section 5.8);
- community relations;
- timetable; and
- team.

A detailed monthly reporting process is a key element to the overall risk management system, with each division within the Valemus Businesses required to report monthly to Valemus' senior management on the overall performance of their operations. This includes the detailed reporting of the technical aspects and financial performance of individual projects. To this end, project costs, including costs associated with raw materials, labour and subcontractors, are monitored throughout project execution via a comprehensive cost management system, which monitors costs to date and provides a basis upon which to estimate costs at completion.

Valemus has a team of independent risk managers, reporting to the Valemus CEO, who are employed to monitor all projects above $80 million in value during the tender and construction phases, all projects that involve services or operations outside Valemus' traditional business activities and any other projects that the CEO or Board deems appropriate.

5.1.6.1 Probity arrangements

In order to enable more than one of the Valemus Businesses to bid for the same project, industry practice requires all Valemus Businesses and joint ventures to act independently of each other in tendering for the provision of services to the markets in which they compete. As referred to above, Valemus operates through three structurally and operationally independent businesses, each with its own management functions, and tenders are independently prepared by Abigroup, Baulderstone and Conneq (except where Conneq partners with Abigroup or Baulderstone and a joint proposal is submitted). Valemus' corporate head office has processes in place to ensure that no information is shared between those businesses when preparing and reviewing competing tenders on the same project. These processes include separation of review functions (including Board review), as well as other processes to ensure total independence and security over tender documents are maintained, including the use of third party software platforms. This probity regime is integral to the manner in which Valemus conducts its business.

5.1.7 Contracting practices

While the basic terms and conditions of the contracts entered into by the Valemus Businesses vary considerably, projects are generally governed by one of four types of contracts, which are described in Table 5.1.

Table 5.1 – Contract types generally entered into by the Valemus Businesses

Contract type	Description
Fixed price	As is common in the construction industry, Valemus regularly enters into contractual arrangements with customers in which it agrees to deliver a specified project outcome at a specified price within a specified time period. In a fixed price contract, Valemus recognises the full impact of cost overruns or cost savings unless the contract provides for an adjustment to the contract price in those circumstances. Fixed price contracts are common where the customers' project requirements are well developed, such that the construction risks are well understood and the cost of the project can be reasonably estimated during the tendering process. While each contract is unique, Valemus regularly enters into two kinds of fixed price contracts, namely: – Design and construct: under a design and construct contract, Valemus agrees to design and construct the customer's project so that the final product is fit for the purpose described in the customer's project brief, which varies in level of detail for each project; and – Construct only: under a construct only contract, the customer takes responsibility for the design of the project and Valemus undertakes only to construct the project to the design specifications provided by the customer. In CY2009, approximately 40% and 15% of Valemus' pro forma gross revenue were derived from design and construct, and construct only, contracts, respectively.
Managing contractor	Managing contractor types of contracts are most commonly used in building projects. Under the traditional format of this contract, the contract price is variable based upon reimbursement of actual costs incurred for trade contractors plus a fixed fee to cover project overheads and the contractor's profit margin. A variation to this type of contract includes a variable and fixed component and a guaranteed maximum price. The contractor can be responsible for some or all of the total cost of the project if the cost exceeds the guaranteed maximum price. Where the total cost is less than the negotiated guaranteed maximum price, the customer and contractor will share the benefit of the cost savings based upon a negotiated formula. In CY2009, approximately 16% of Valemus' pro forma gross revenue was derived from managing contracts.
Alliance	In an alliance contract, a Valemus Business forms an alliance team with the customer and specialist consultants to plan and deliver the project. The alliance team identifies the project design and agrees certain key performance indicators ("KPIs") against which the performance of the alliance will be measured. As the project proceeds, the performance of the alliance is evaluated against the agreed KPIs. The total cost of the project is usually an important KPI on construction projects. Although the agreements vary for each project, strong performance against the KPIs can result in increased remuneration for the contractor (gain share) whilst underperformance can result in a reduction to the contractor's remuneration (pain share) in accordance with the formula set out in the alliance agreement. Generally, the contractor's pain share will be limited to loss of project margin. Alliance contracts are common where there is a significant level of uncertainty in respect of the scope and cost of a project so that total project costs and contingencies cannot be accurately modelled and estimated during the tendering process. In CY2009, approximately 18% of Valemus' pro forma gross revenue was derived from alliance contracts.
Schedule of rates/fee for service	A schedule of rates contract is one under which the amount payable to the contractor is calculated by applying an agreed schedule of rates to the quantity of work that is actually performed. In addition, under a number of its Services contracts, Valemus undertakes a portion of the work for a pre-determined fee combined with a schedule of rates component. In CY2009, approximately 10% of Valemus' pro forma gross revenue was derived from schedule of rates/fee for service contracts.

The Valemus Businesses also participate in PPP projects as a design and construct contractor and/or operations and maintenance provider to the special purpose vehicle established to undertake a project.

PPPs are long-term contracts under which the private sector designs, constructs, operates and maintains projects (activities which were traditionally undertaken by the public sector), while the public sector retains responsibility for strategic planning, regulation and community service obligations. Under traditional PPPs, the private sector assumes the substantial financial, technical and operational risks of a project through remuneration structures that link the private sector's return to usage of the asset. Over time, the PPP model has evolved to adapt to differing economic conditions, as well as the prevailing appetite for risk in the private and public sectors. For example, the "availability" PPP model, which was previously used in non-residential building projects such as prisons and schools, was used for the first time in a road project in Australia, the Peninsula Link Freeway project in Victoria, which was recently awarded to Abigroup. Under an availability PPP, the usage or patronage risk is assumed by the public sector, with the private sector receiving periodic fees from the public sector based on the availability for usage of the infrastructure rather than the actual usage.

5.1.8 Change of control

Valemus' business relies on a large number of individual project and other agreements. Under a number of those agreements, a change of control of the relevant Valemus entity gives the contract counterparty various rights, including, in some cases, the right to terminate the agreement unless the consent or agreement of the counterparty is obtained. A change of control will occur under some of those agreements in connection with the listing of Valemus.

Valemus has put in place a program for obtaining consents and waivers from its key joint venture partners and customers to the change of control of Valemus that will occur in connection with Listing. Of the consents and waivers required, a small number are still outstanding at the date of this Prospectus. Valemus does not expect it will suffer any material adverse impact as a result of the change of control.

5.1.9 Safety management

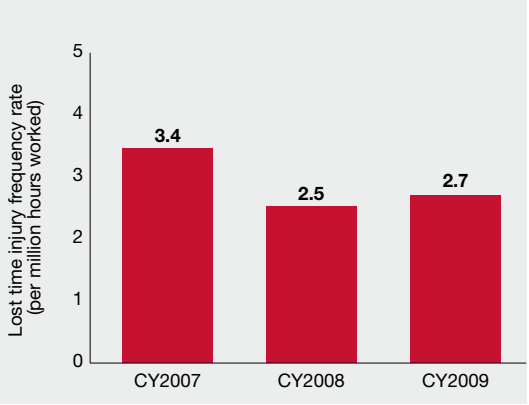
Valemus is committed to providing a safe environment for employees, contractors and the community. As a result, occupational health and safety ("OHS") is one of Valemus' highest priorities. Its health and safety policies are designed to promote responsible efforts in the areas of accident prevention, injury protection and the promotion of health, safety and welfare of all employees and subcontractors' employees. All three Valemus Businesses are certified as complying with the requirements of AS/NZ4801[1] and all are accredited under the Federal Government Building and Construction OHS Accreditation Scheme that is administered by the Federal Safety Commissioner. Only contractors accredited under this scheme can enter into contracts over $5 million that are funded directly or indirectly by the Federal Government.

There is OHS legislation in each Australian state, including requirements on employers to ensure the health and safety of employees and others arising out of the conduct of their business and requirements on controllers of premises to ensure work sites are safe and without risk to health and safety.

All three Valemus Businesses have established a national safety manager role in their organisations that is supported by safety professionals at state and project levels. The focus in recent years has been on behavioural training programs and the Valemus Businesses have their own specific safety programs which aim to improve Valemus' safety performance by providing their employees with the skills and knowledge that empower them to promote a safe work environment.

Valemus' lost time injury frequency rate for the period between CY2007 and CY2009 is shown in Figure 5.5.

Figure 5.5 – Valemus' lost time injury frequency rate between CY2007 and CY2009



Note: Valemus' lost time injury frequency rate represents the number of lost time injuries per million man hours worked in a given year.

Following an investigation, each lost time injury is reported and discussed by the business managing director and the state operations managers (executive directors for Conneq) at each monthly executive meeting held. All incidents are reported to the Valemus CEO and the Board. Safety performance is an important indicator for Valemus' customers, many of which monitor worker safety on their projects and properties.

5.2 ABIGROUP

5.2.1 Overview

Abigroup is one of Australia's largest multi-disciplinary engineering construction and building contractors and has successfully delivered a number of major engineering construction and building projects, including the M2 and M7 Motorways and Acer Arena in New South Wales and the Southern Regional Water Pipeline in Queensland. Abigroup provides a broad range of engineering construction and building services from project assessment to design, construction and maintenance, and has the scale and breadth of capabilities to provide customers with integrated engineering construction and building solutions.

Note:
1. AS/NZS 4801:2001 Australian/New Zealand Standard "Occupational health and safety management systems— Specification with guidance for use".

Abigroup's operating history dates back to 1957 when Abigroup Contractors Pty Limited (then called Graham Evans and Co Pty Ltd) was established in New South Wales. G. Abignano Pty Ltd was incorporated in 1961 and listed on ASX in 1981 as Abignano Limited. In 1986, Abignano Limited was renamed to Abigroup Limited and continues today as the operating group's parent company. Robert Salzer Constructions was acquired in 1986 to expand Abigroup's operations in Victoria and Hughes Bros Pty Limited was acquired in 1988 to expand its building operations in New South Wales. Abigroup was acquired by BBA in 2004 and delisted from ASX in the same year.

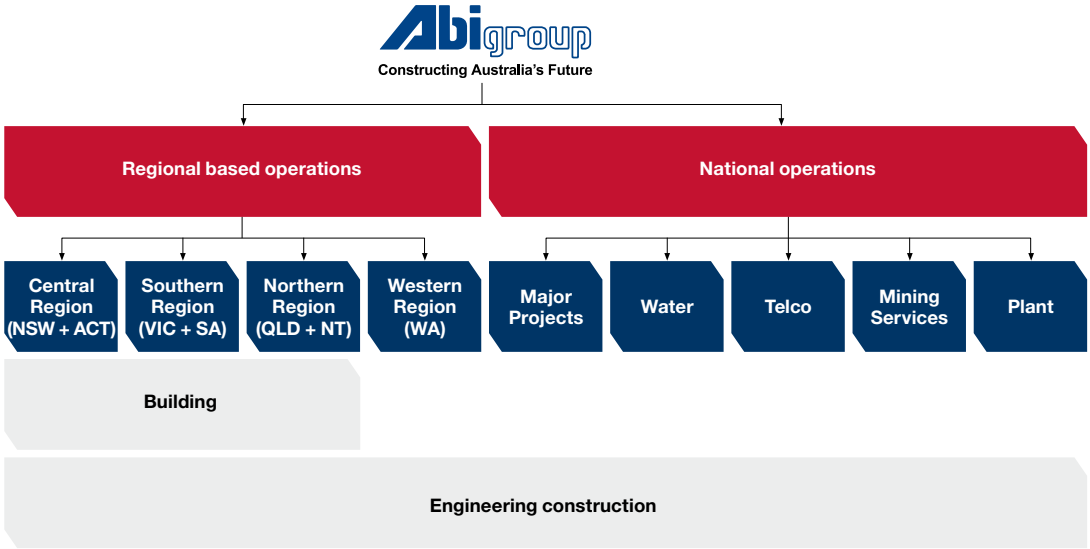
Abigroup has a philosophy of self performance, in that it undertakes a large proportion of its engineering construction contracts itself, utilising its engineering construction and earthmoving equipment and thereby limiting its reliance on subcontractors.

Abigroup had over 2,100 employees at 31 December 2009 and currently operates nine offices in Australia, with at least one office in every state. The Eastern States have historically been a large contributor to earnings, although Abigroup has become increasingly focused on opportunities in Western Australia and South Australia since establishing offices in those states. Abigroup's head office is located in Sydney, New South Wales.

5.2.2 Organisational structure

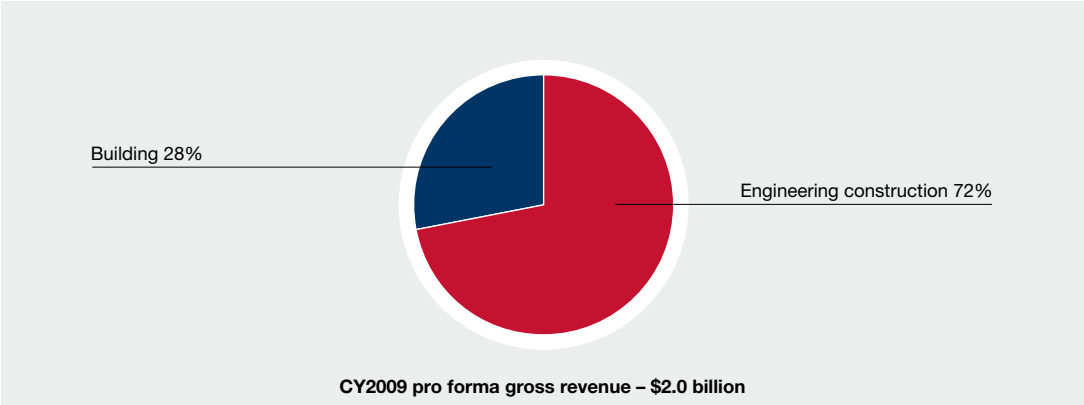
Abigroup conducts its business through four regional business units, and five specialist national business units comprising Major Projects, Water, Telecommunications, Mining Services and Plant. The Water, Telecommunications and Mining Services business units have recently been established to enhance Abigroup's exposure to these high growth markets.

Figure 5.6 – Abigroup's organisational structure



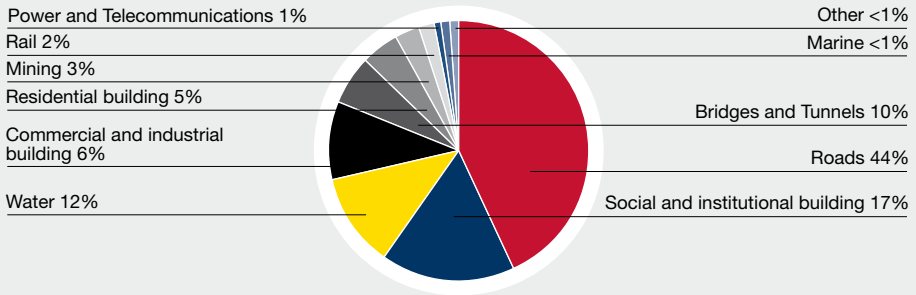
In CY2009, Abigroup's engineering construction business accounted for approximately 72% of its pro forma gross revenue, while building accounted for 28%, which is broadly consistent with its CY2007 to CY2009 average.

Figure 5.7 – Abigroup pro forma CY2009 gross revenue split by market



Abigroup's operations are diversified across a relatively broad range of sectors. Sectors serviced by Abigroup's engineering construction operations include the roads, water, bridges, tunnels, mining, rail, power, telecommunications and marine sectors. Abigroup's building operations service the social and institutional building, commercial and industrial building, and residential building sectors, by primarily undertaking commercial, defence, education, health and industrial projects. In CY2009, road projects accounted for approximately 44% of Abigroup's pro forma gross revenue. As Abigroup continues to implement its strategy to increase its exposure to existing and new specialised sectors, the proportion of its gross revenue sourced from road projects may decrease.

Figure 5.8 – Abigroup pro forma CY2009 gross revenue split by sector



CY2009 pro forma gross revenue – $2.0 billion

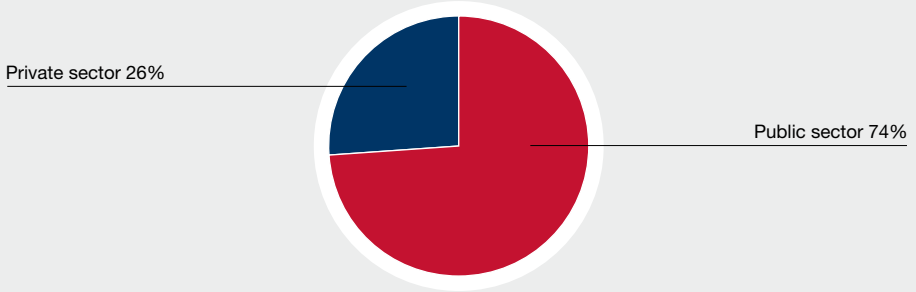
Abigroup owns and maintains one of the largest privately operated engineering construction and earthmoving fleets in Australia. Owning specialised equipment that is not readily available for hire is key to Abigroup's philosophy of self performance and is believed to be a competitive advantage in tendering for complex projects such as road construction.

Figure 5.9 – Part of the fleet used during the construction phase in Abigroup's $383 million Albury Wodonga Hume Freeway project between 2005 and 2007

5.2.3 Customers

Abigroup's customers include public and private sector organisations operating in a range of sectors with Federal, state and local government authorities accounting for approximately 74% of Abigroup's pro forma gross revenue in CY2009. Key public sector authorities include road and building authorities, hospitals, educational institutions and local councils. Abigroup's private sector customers include major property developers and mining companies.

Figure 5.10 – Abigroup pro forma CY2009 gross revenue split by customer type



CY2009 pro forma gross revenue – $2.0 billion

5.2.4 Key contracts

Abigroup has extensive experience tendering for, project managing and successfully completing large construction projects, both in the engineering construction and building markets. This experience and success are reflected in Abigroup's tender success rate. Abigroup has won approximately 34% of all engineering construction projects and 23% of all building projects tendered (by dollar value) over the last three years.

Abigroup has the capabilities and experience to undertake its work through a diverse range of contract types. Each contract type has varying levels of risk allocation between Abigroup and the customer (described in Section 5.1.7).

As Abigroup has expanded into new markets, it has also formed joint ventures in order to share risk or gain access to complementary skills, capabilities and experience. Approximately 27% of Abigroup's pro forma CY2009 gross revenue was sourced through projects undertaken in joint venture. Abigroup has also remained at the forefront of new delivery methods, having recently won the Peninsula Link Freeway project in Victoria through an availability PPP contract[1], the first road project to be undertaken as an availability PPP in Australia.

Table 5.2 – Abigroup's top 10 current projects at 31 March 2010

Current project	State	Customer	Expected completion year	Estimated project size ($m)(1)
Ipswich Motorway (joint venture)	QLD	Department of Main Roads	2012	951
Gateway Upgrade (joint venture)	QLD	Queensland Motorways Limited	2010	773
Peninsula Link Freeway	VIC	Southern Way	2012	650
Adelaide Desalination Plant (joint venture)	SA	SA Water	2011	438
Refurbishment of NSW schools	NSW	State of NSW	2011	258
ACTEW Bulk Water (joint venture)	ACT	ACTEW Corporation	2012	244
Woomargama (Hume Highway) Upgrade Alliance	NSW	Roads and Traffic Authority, NSW	2011	208
Partnerships in Victorian Schools	VIC	Axiom Education Victoria	2011	200
Lawson Alliance (Great Western Highway)	NSW	Roads and Traffic Authority, NSW	2012	150
Northern Network Alliance (joint venture)	QLD	Link Water, State of QLD	2011	139
Total				**4,011**

Note:
(1) Abigroup's share of project size.

Note:
1. Refer to Section 5.1.7 for a discussion of availability PPP contracts.

Case study – Peninsula Link Freeway project

The Peninsula Link Freeway project in Victoria, which is expected to be completed in 2012, involves the construction of 27 kilometres of motorway between Carrum Downs in Melbourne's eastern suburbs and the Mornington Peninsula Freeway at Mt Martha. Abigroup, with Conneq, is part of the Southern Way consortium that was chosen by Linking Melbourne

Artist's impression

Authority for this PPP project to design, construct, finance, operate and maintain the road. The Peninsula Link Freeway project is the first road PPP in Australia which will be toll-free and based on an availability charge (refer to Section 5.1.7 for more information on availability PPPs). The project includes 11 local road connections, more than 35 bridges, a 22 kilometre cycling and walking path, a roadside control centre, and fauna crossing underpaths.

Case study – Gateway Upgrade project

Abigroup, in joint venture with Leighton Contractors, was chosen by Queensland Motorways Limited to design and construct the Gateway Upgrade project in Brisbane, which is expected to be completed in 2010 (with maintenance to be undertaken by a joint venture between Conneq and Leighton Contractors). The project involves the design and construction of a new Gateway Bridge, a duplication of 12 kilometres of existing motorway, seven kilometres of a new six lane motorway, the refurbishment of the existing Gateway Bridge, and maintenance of the facility over a 10 year period. The bridge and elevated roadway rely on 17 piers of varying heights for support – the shortest being 17 metres and the tallest 54 metres. The project was awarded the Federal Safety Commissioner's National Award for Occupational Health and Safety Excellence, Civil/Infrastructure at the 2009 Master Builders Association Awards in Queensland for its commitment to workplace health and safety on the project. Initiatives adopted on the project included a fitness for work policy and a rewards and recognition scheme for good safety practices.

In April 2010, the project joint venture was awarded a further $185 million variation to deliver additional upgrade works on the Gateway Motorway. These works are an extension to the original Gateway Upgrade project and comprise the widening of the Gateway Motorway, improvements to road alignment, and localised improvements to the Mt Gravatt-Capalaba Road interchange. This work commenced immediately and is expected to be completed by mid 2011.

Case study – Karuah to Bulahdelah Pacific Highway Upgrade project

The design and construction of the Karuah to Bulahdelah Pacific Highway Upgrade project in New South Wales was completed by Abigroup in 2009 ahead of schedule, despite 46 weeks of project time lost due to rain. Involving 23 kilometres of dual carriageway, seven bridges and two million cubic metres of earthworks, the project delivered strong performance outcomes across key result areas nominated by the Roads and Traffic Authority, NSW. The project has been listed as one of the finalists for the prestigious 2010 Australian Construction Achievement Awards and has led Abigroup to win a major environmental award at the International Erosion and Sediment Control Awards.

5.3 BAULDERSTONE

5.3.1 Overview

Baulderstone is one of Australia's largest construction companies with particular expertise in roads, bridges, tunnels, ports, water infrastructure, power, hospitals, correctional facilities, defence and commercial building.

Baulderstone's history dates back to 1926 when M.R. Hornibrook Pty Ltd, a Queensland based civil engineering business, was established. A.W. Baulderstone Pty Ltd, a South Australian based building business, was established in 1946 and merged with M.R Hornibrook Pty Ltd to form Baulderstone Hornibrook in 1985. Since then, the company has grown its operations across Australia. Baulderstone Hornibrook was acquired by BBAG in 1993, and was rebranded 'Baulderstone' in 2008. Over its collective 80 year history, Baulderstone has been responsible for the construction of some of Australia's iconic infrastructure projects, including the Sydney Opera House, the Anzac Bridge, the M5 East Motorway, the Cross City Tunnel and The University of Sydney's law faculty building in New South Wales, the Story Bridge in Queensland, and the Royal Women's Hospital in Victoria.

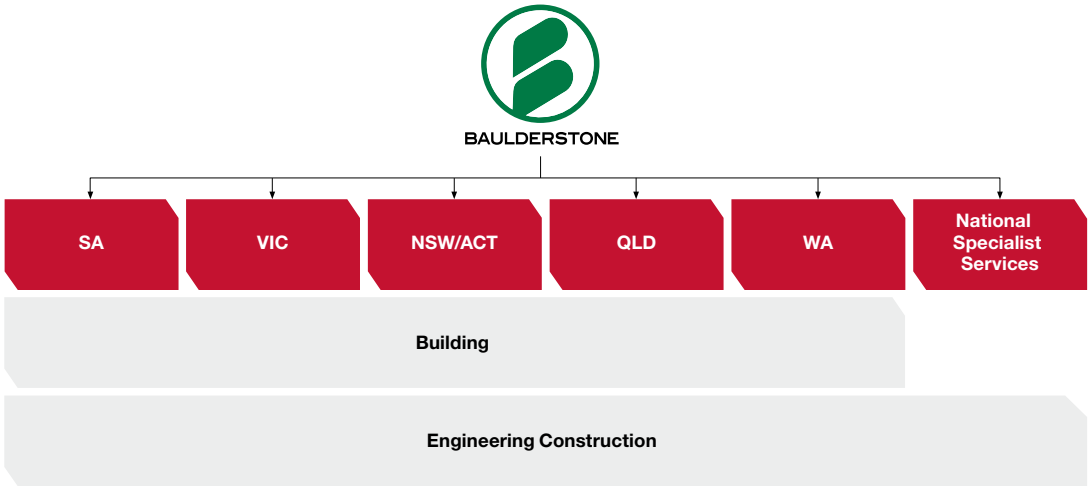
Baulderstone had over 1,400 employees at 31 December 2009 and currently has seven offices across Australia, with offices in every mainland state and in the Australian Capital Territory. While Baulderstone's business has historically been concentrated in Australia's east coast and South Australia, it has also been building its presence in Western Australia. Baulderstone's head office is located in Sydney, New South Wales.

Outside Australia, Baulderstone has maintained a small operational presence in Vietnam. Since the late 1990s, Baulderstone has completed two bridge projects in Vietnam, the My Thuan Bridge in 2000 and the Phu My Bridge in 2009.

5.3.2 Organisational structure

Baulderstone operates on a state based structure, with each state office providing both engineering construction and building services. Baulderstone's corporate structure was reorganised in 2005 to align its state based divisions with a national division focused on specialist skill areas including bridge, tunnel and power projects. This reorganisation followed from a change in Baulderstone's management, which refocused the business on project accountability, risk management and Baulderstone's identified growth markets.

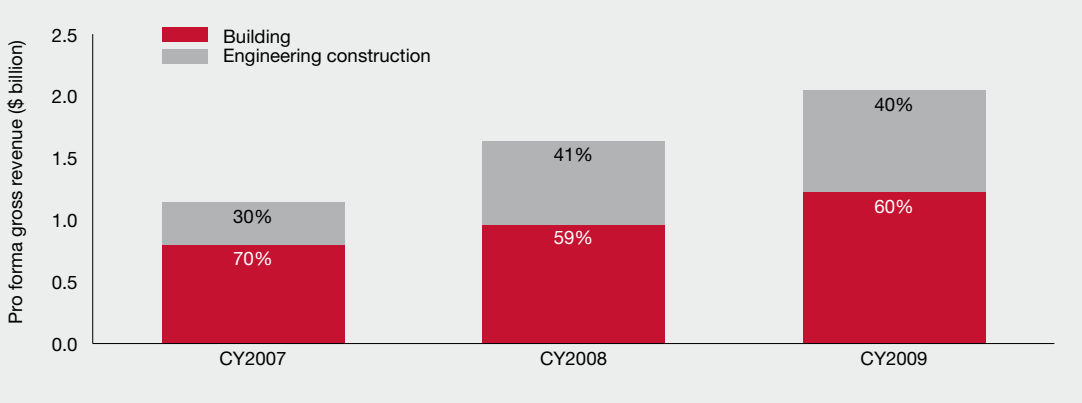
Figure 5.11 – Baulderstone's organisational structure



Baulderstone's reputation for successfully delivering high quality and technically complex projects has assisted the business in increasing its exposure to engineering construction opportunities. Baulderstone has the experience and expertise to identify, select and manage project teams, subcontractors and its fleet, which it generally acquires by lease or purchase on a project-by-project basis.

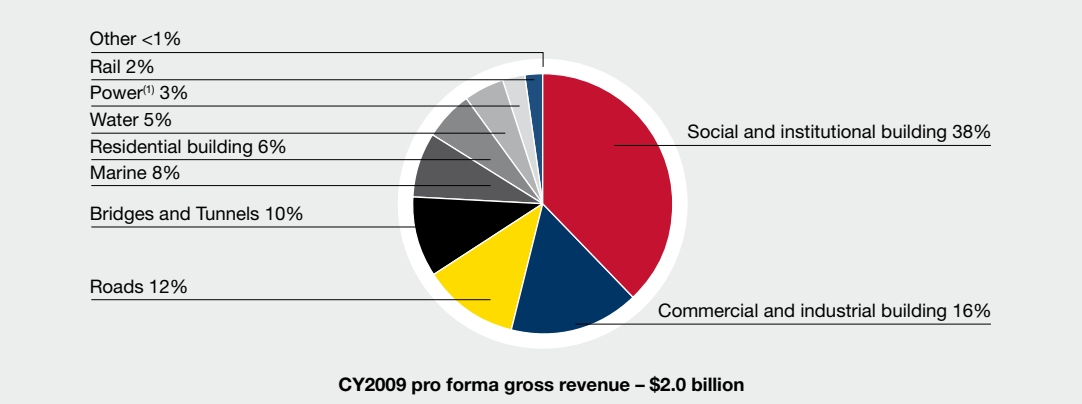
In recent years, Baulderstone has increased its focus on engineering construction. In CY2009, Baulderstone generated approximately 40% of its pro forma gross revenue from engineering construction, up from approximately 30% in CY2007. Baulderstone intends to continue to grow its engineering construction business with the objective of deriving gross revenue equally from engineering construction and building by securing additional engineering construction work. Baulderstone expects that a significant part of the growth in engineering construction will be generated through its National Specialist Services team, which identifies, bids for and delivers large and complex engineering construction projects, including bridge, tunnel and power projects, either in its own right or in conjunction with one of the state based divisions.

Figure 5.12 – Baulderstone's historical pro forma gross revenue by market



Baulderstone's operations are diversified across a broad range of sectors, as shown in Figure 5.13. Within the building markets, Baulderstone operates in the social and institutional building, commercial and industrial building, and medium/high density residential building sectors, and its main operations within the engineering construction market include the roads, bridges, tunnels, marine, water, power and rail sectors. The specific sector mix varies year-on-year.

Figure 5.13 – Baulderstone pro forma CY2009 gross revenue split by sector



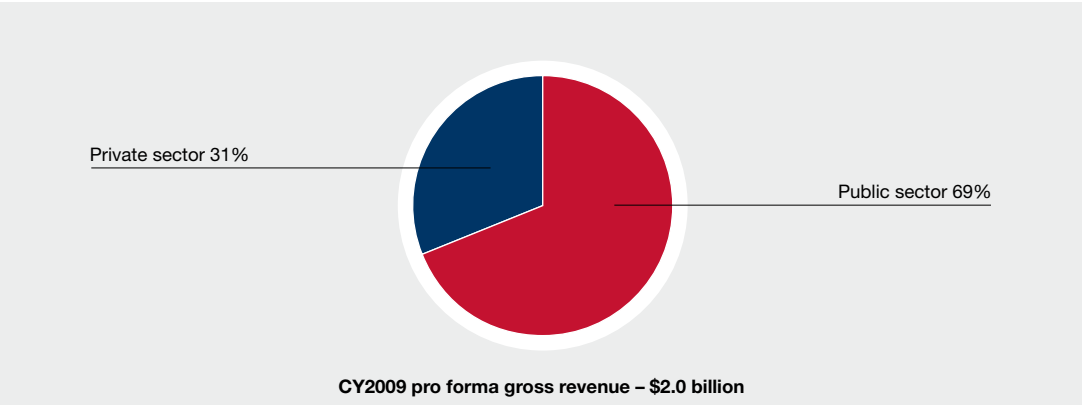
Note:
(1) Includes gas-fired power stations.

5.3.3 Customers

Baulderstone's customers include public and private sector organisations operating across a range of sectors. Key public sector customers include road and building authorities, local councils, universities, and health and education departments. Baulderstone's private sector customers include major property developers and energy companies.

Baulderstone's increased focus on engineering construction, along with the increased funding contribution from the public sector for key infrastructure projects, has resulted in Baulderstone undertaking more work for public sector customers. In CY2009, approximately 69% of Baulderstone's pro forma gross revenue was from the public sector.

Figure 5.14 – Baulderstone pro forma CY2009 gross revenue split by customer type



5.3.4 Key contracts

Baulderstone has the capabilities and experience to successfully tender for and deliver projects through the full spectrum of contract types. These capabilities and experience are reflected in its tender success rate, where it has won approximately 25% of all engineering construction projects and 25% of all building projects tendered for (by dollar value) across a diverse range of contract type over the last three years. Each contract type has varying levels of risk allocation between Baulderstone and the customer (described in Section 5.1.7). Baulderstone also uses joint ventures as a means to share risk and gain access to complementary skills and experience. Approximately 16% of Baulderstone's CY2009 pro forma gross revenue was sourced through projects undertaken in joint venture arrangements.

Table 5.3 – Baulderstone's top 10 current projects as at 31 March 2010

Current project	State	Customer	Expected completion year	Estimated project size ($m)[1]
CLEM7 Tunnel (joint venture)	QLD	RiverCity Motorway	2010	535
Port Botany Expansion (joint venture)	NSW	Sydney Ports Corporation	2011	388
Gatton Correctional Precinct Development	QLD	Project Services – Health, Law and Order	2011	371
Hardened and Networked Army 1 (defence facility)	SA	Department of Defence (Federal)	2011	294
Mackay Base Hospital	QLD	Department of Health (QLD)	2013	253
Crown Metropol Hotel	VIC	Crown Limited	2010	241
Westgate Alliance (joint venture)	VIC	VicRoads	2010	230
Water Resources Alliance	VIC	Melbourne Water	2013	209
Robina Hospital Expansion	QLD	QLD Health	2012	204
Macquarie University Hospital Expansion	NSW	Macquarie University Private Hospital	2010	152
Total				**2,877**

Note:
(1) Baulderstone's share of project size.

Case study – The Royal Women's Hospital project

The Royal Women's Hospital in Melbourne was completed in 2008 by Baulderstone through a PPP with the Victorian Government. The project involved the construction of a $250 million stand-alone, nine level hospital.

The project was awarded the Australian Institute of Building Award for Commercial Construction over $100 million by the Victorian Chapter of the Institute for excellence in the building and construction process. Expert planning went into each stage of project delivery in order to successfully deliver the project on time.

Case study – Port Botany Expansion project

The $540 million Port Botany Expansion project in Sydney is expected to be completed in 2011 by a joint venture between Baulderstone and Jan de Nul NV for Sydney Ports Corporation. The joint venture designed and is constructing a new five berth container terminal to provide 1,850 metres of extra berth length through the reclamation of approximately 60 hectares of land. The accepted design requires 216 precast concrete wall sections, 201 weighing 640 tonnes each and 15 'mini' wall sections weighing 350 tonnes each, to be installed by a purpose-built shear-leg-crane barge.

Photo courtesy of Sydney Ports Corporation

Case study – Gatton Correctional Precinct project

In October 2008, Baulderstone was engaged by Queensland Corrective Services as a managing contractor to design and construct the Gatton Correctional Precinct. Stage 1 of the project, which is expected to be completed by June 2011, comprises the construction of a 300 bed women's correctional centre containing 30 buildings within the perimeter of the 680 hectare precinct, as well as external buildings including medium and high security accommodation, associated facilities and infrastructure works. In addition, Baulderstone is undertaking bulk earth works to the adjacent site for the planned Men's Correctional Centre. The construction requires approximately 500,000 concrete blocks, 600 tonnes of structural steel, 1,100 tonnes of reinforcing bar, 30,000 square metres of reinforcing mesh, 30 kilometres of electrical cabling and grass to cover the equivalent of 140 rugby league fields.

5.4 CONNEQ

5.4.1 Overview

Conneq, which until the completion of the Offer will continue to trade as Bilfinger Berger Services, provides engineering and specialist asset management services for the delivery, operation and maintenance, and commissioning of civil and industrial infrastructure for public sector customers, mining companies, oil and gas companies, utilities, and industrial manufacturers. Conneq has internal engineering capabilities, specialist asset management skills, and national fabrication, repair and electrical equipment manufacturing capabilities.

Conneq was established as a stand-alone subsidiary of BBA in 2005, to bring together the service capabilities of Abigroup Asset Services, Simon Engineering, Skilled Power Services and Baulderstone's Motorway Operations Group.

Conneq has an operating history that dates back over 60 years to the establishment of Simon Engineering (previously Simon-Carves) in 1949. Since 2005, Conneq has significantly expanded its operations with the acquisitions of Techscape in New Zealand, and Clough Engineering & Maintenance ("CEM") and i.Power Solutions Group ("i.Power") in Australia. These acquisitions expanded Conneq's existing capabilities in water and waste water management, power station operations and maintenance, as well as added capabilities in design, manufacture and installation of electrical equipment and instrumentation.

Figure 5.15 – Conneq acquisition timeline

September 2004	March 2005	September 2006	January 2008	February 2008
Skilled Power Services (Year 1 revenue: $31.3 million)	**Simon Engineering** (Year 1 revenue: $170.0 million)	**Techscape** (Year 1 revenue: $30.1 million)	**Clough Engineering & Maintenance** (Year 1 revenue: $26.6 million)	**i.Power** (Year 1 revenue: $142.1 million)
Power and telecommunications network and overhead line installation and maintenance	Design and installation projects (including power stations, process plant and material handling equipment) and shutdown and maintenance services	New Zealand water and waste water management	Aspects of power station operation and maintenance	Design, manufacture and installation of electrical equipment and instrumentation

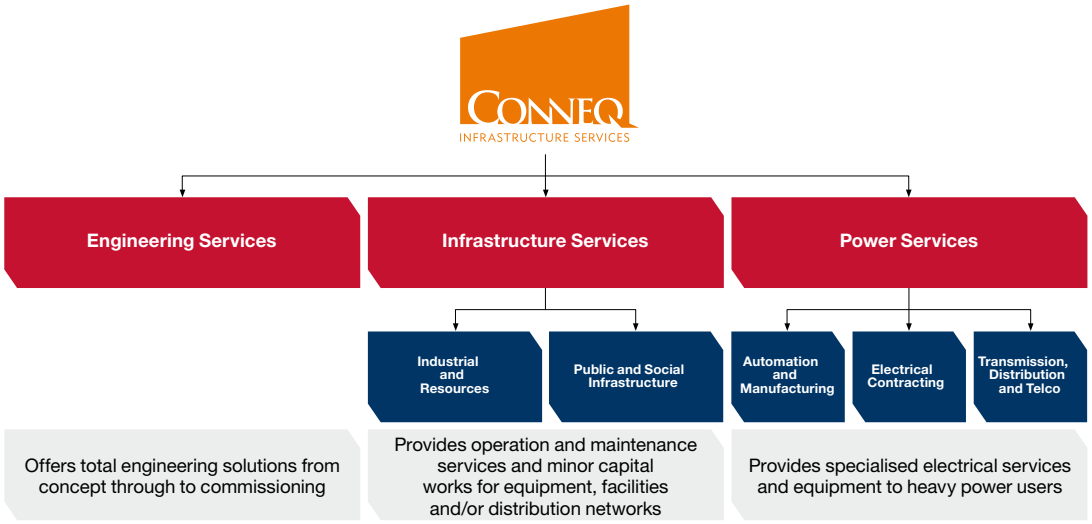
Conneq had over 3,100 employees at 31 December 2009 and currently provides design, installation, operation and maintenance services at approximately 60 sites across Australia and New Zealand, including regional offices and project sites. Conneq has a presence in the resource-rich areas of Western Australia (particularly Port Hedland and Newman), the Bowen Basin in Queensland, the Latrobe Valley in Victoria and the Hunter Valley in New South Wales. Conneq's head office is located in Sydney, New South Wales.

In New Zealand, Conneq also provides water network maintenance and network construction services.

5.4.2 Organisational structure

Conneq operates under three separate divisions, as outlined in Figure 5.16. The divisional split highlights the specialised and technical nature of the services provided by Conneq to customers in select sectors.

Figure 5.16 – Conneq organisational structure

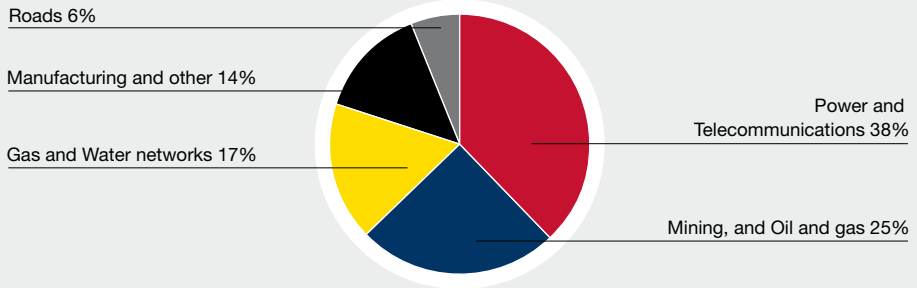


The combination of the following factors has assisted Conneq to win work in the Services industry and provides it with a platform for future growth:

- internal engineering capability, allowing Conneq to deliver design and installation services in projects of all sizes;
- access to skilled labour, with a workforce of over 3,100 employees and an ability to locate, retain and deploy labour as needed, particularly in sectors and locations where skilled labour is scarce; and
- partnerships with Abigroup and Baulderstone, which allows Conneq to offer a suite of construction, operation, maintenance and installation services to customers.

Conneq's three divisions operate across a diverse range of sectors (as set out in Figure 5.17) and are providers of services to the power, telecommunications, mining, oil and gas, gas and water networks, manufacturing and roads sectors, with particular strengths in materials handling and the installation of gas-fired power plants. The Infrastructure Services division has also become a significant provider of motorways management services in Australia, and water services in Australia and New Zealand.

Figure 5.17 – Conneq pro forma CY2009 gross revenue split by sector

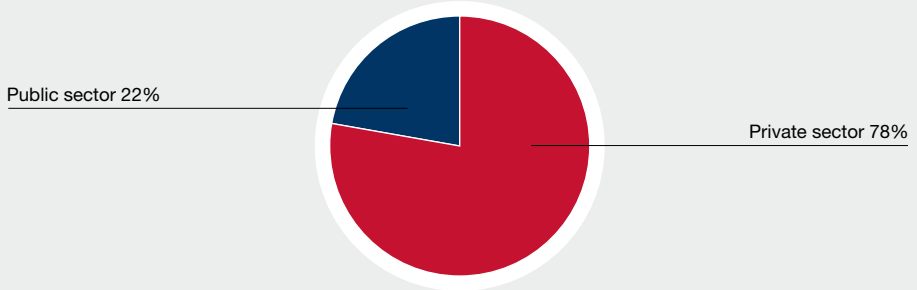


CY2009 pro forma gross revenue – $0.7 billion

5.4.3 Customers

Conneq's customers are predominantly large private sector corporations and state and local government authorities, including owners of road, power, telecommunications and water assets. Approximately 22% of pro forma CY2009 gross revenue was generated from the public sector. Key private sector customers include miners, power generators, transmission, distribution and telecommunications network managers, tollroad owners and manufacturers. While maintaining strong relationships with its existing customers, Conneq is focused on establishing new customer relationships in identified growth sectors such as the power, mining, and oil and gas sectors.

Figure 5.18. – Conneq pro forma CY2009 gross revenue split by customer type



CY2009 pro forma gross revenue – $0.7 billion

5.4.4 Key contracts

Conneq's gross revenue is derived from a combination of lump sum and reimbursable project work, long-term operations and maintenance contracts, as well as ongoing ad hoc services. The long-term operations and maintenance contracts have terms ranging from two to 40 years. Conneq actively seeks to maintain a balance of the types of work, projects and contracts it undertakes across its portfolio in order to diversify its exposure to any particular sector and contract risk. Contract types vary by sector, with water and motorway contracts being typically fixed price, whereas mining services contracts are usually priced on a schedule of rates basis. The nature of the work leads Conneq to generally undertake projects on its own, however, Conneq has partnered with Abigroup and Baulderstone on a number of major engineering construction projects in CY2009. In addition, Conneq has interests in four road maintenance joint venture companies.

Table 5.4 – Representation of Conneq's projects

Current project	State	Customer	Expected completion year	Estimated revenue ($m)
Mortlake – D&C of gas-fired power station	VIC	Origin Energy Power	2010	172
Pilbara – maintenance of mine/port equipment	WA	BHP Billiton Iron Ore	2011/2012 (initial)	37 per annum
Yarra Valley – management of water network	VIC	Yarra Valley Water	2011	36 per annum
M5 East Motorway – operation and maintenance of motorway	NSW	Roads and Traffic Authority, NSW	2011	20 per annum
Optus – maintenance of broadband network	National	Optus Australia	2013 (initial)	12 per annum
Mt Piper – operation and maintenance of power station, ash collection and disposal activities	NSW	Delta Electricity	2013	9 per annum

Case study – Uranquinty Gas-Fired Power Station project

The Uranquinty Power Station near Wagga Wagga, New South Wales was completed in 2008. Conneq was the principal contractor for the $120 million, 640MW gas-fired peaking power station. It was responsible for overall project delivery, including installation of power generation equipment and the design, supply and construction of the balance of plant. The work was undertaken by Conneq in a joint venture with Baulderstone. Conneq was awarded the Infrastructure Partnerships Australia 2009 Contractor Excellence Award for the timely and innovative delivery of the Uranquinty project. The project was delivered on time, on budget and to stringent environmental standards. The successful delivery of the project depended upon the coordination of engineering teams and suppliers in Australia, Germany, the United States and Italy. Uranquinty is the second largest gas-fired power station in New South Wales on the basis of MW capacity installed.

Case study – Mining asset services in the Pilbara

Conneq provides electrical and mechanical maintenance services to major iron ore miners operating in the Pilbara region of Western Australia. During 2009, Conneq secured an electrical and mechanical term contract for the maintenance of unloading, loading, crushing, screening and beneficiation facilities at the Mt Whaleback mine in Newman. Conneq also supports the iron ore loading facilities in Port Hedland, via a mechanical maintenance term contract that commenced in 2008. Services are provided to the unloading, stacking, reclaiming and ship-loading facilities at the port.

In addition, Conneq operates fabrication and repair workshops in Newman and Port Hedland, providing shutdown and maintenance services to companies operating around these locations.

5.5 STRATEGIES FOR GROWTH

Valemus is increasing its exposure to engineering construction in Australia and growing its Services business while maintaining its strong market position in the non-residential building market. To this end, Valemus intends to undertake further geographic expansion in Australia, capitalising on growth opportunities as they arise in existing sectors, as well as developing specialised capabilities in new sectors. Maintaining long-term customer relationships and securing repeat business are key to Valemus' strategy for growth.

This strategy is intended to position Valemus to benefit from an increased investment in infrastructure by both the public and private sectors, continuing activity in the mining, and oil and gas sectors in Australia and an overall increase in the rate of outsourcing of maintenance services in Valemus' primary sectors of operation. Refer to Section 4 for an overview of the industries in which Valemus operates, including outlook and key drivers.

Valemus has identified a number of opportunities for each of its businesses that are designed to drive future growth.

5.5.1 Increase exposure to engineering construction in Australia

Valemus has become a leading contractor in the engineering construction market in Australia and aims to play a larger role in the development of essential infrastructure by further diversifying its capabilities in this market. Valemus is diversifying its engineering construction business in Australia by pursuing the initiatives detailed below.

Geographic expansion

Valemus believes that there is an opportunity for its businesses to take advantage of the continued activity in the mining, and oil and gas sectors, which are expected to result in increased demand for ancillary infrastructure, including rail and ports. By leveraging the core competencies of Abigroup and Baulderstone, Valemus has sought to expand its service offering in Queensland and South Australia and expand its operations into Western Australia. As discussed in Section 4.1.4, the mining, and oil and gas sectors are expected to drive further engineering construction activity in Queensland and Western Australia in particular.

Capitalise on growth opportunities in existing sectors

Valemus is well positioned to capitalise on a number of opportunities in existing sectors exposed to the expected continuing activity in the mining, and oil and gas sectors and the increased public and private sector investment in infrastructure referred to in Section 4.1.4. The growth opportunities that Valemus has identified for Abigroup and Baulderstone are detailed below.

Abigroup

Abigroup has recently established national Water, Telecommunications and Mining Services divisions to capitalise on opportunities within these sectors, which are expected to benefit from the increased investment in infrastructure by both the public and private sectors, as well as continuing activity in the mining, and oil and gas sectors in Australia.

Abigroup intends to expand upon the recent success of its Water division (completing the Southern Region Water Pipeline project in Queensland and undertaking the construction of the Adelaide Desalination Plant project in South Australia) to capture additional water and desalination facility construction opportunities. In addition, the completion of the latter project will help Abigroup position itself to compete for a range of large scale projects in South Australia.

Abigroup's Telecommunications division is currently pursuing opportunities in overhead fibre optic roll-outs and is implementing strategies designed to secure work on the Federal Government's proposed National Broadband Network project.

Abigroup is exposed to a recovery in the global economy through its Mining Services division, which is targeting long-term contracts for mining of bulk commodities of iron ore and coal, particularly in Western Australia and Queensland. Recent mining services experience includes the Murray Basin – Stage 2 (sand mining) project in Victoria, where Abigroup is currently extracting mineral sands from the Kulwin deposits.

Baulderstone

Baulderstone continues to pursue a more balanced business mix by increasing the proportion of its revenue generated from the engineering construction market. It is expanding further in Queensland and South Australia, whilst also building its presence in Western Australia, having recently completed the $75 million Neerabup Gas-Fired Power Station project in joint venture with Conneq. In particular, Baulderstone is targeting the roads, power, water, mining, and oil and gas sectors. Amongst other projects in these markets, Baulderstone is currently undertaking the Mardi Dam Upgrade project in New South Wales and the Water Resources Alliance in Victoria. These engineering construction projects generally return stronger margins relative to those for building projects due to the increased complexity, scale and skills required.

Develop specialised capabilities in new sectors

Valemus is developing new specialised capabilities in order to diversify further its engineering construction business into new sectors. The growth opportunities that Valemus has identified for Abigroup and Baulderstone are detailed below.

Abigroup

Abigroup has identified the power (renewable energy), rail, oil and gas, and marine sectors as key growth areas in the near to medium term. The recent public awareness of climate change and the use of renewable energy have led Abigroup to investigate engineering construction opportunities in alternate forms of renewable energy such as wind, solar, co-generation, biomass and geothermal. Abigroup is undertaking civil works for a wind farm in Victoria, which include construction of the wind turbine foundations and local roadwork. Investment in rail is anticipated to increase as a result of greater public sector funding and demand for new rail infrastructure driven, for example, by anticipated growth in the mining, and oil and gas sectors[1]. Abigroup is currently undertaking infrastructure work for the development of a new coal export terminal at Kooragang Island in New South Wales. The expected growth in liquefied natural gas in Western Australia and Queensland is expected to drive ancillary infrastructure projects, which may also include the development of transport (including rail) and development in the marine sector (including ports)[1]. Abigroup is currently constructing the Townsville Port Access Road in Queensland and is undertaking marine, civil and associated works for the construction of the Australian Marine Complex in Western Australia.

Note:
1. BIS Shrapnel (2010), Engineering Construction in Australia.

Baulderstone

Baulderstone's National Specialist Services division is developing three new specialist teams to pursue opportunities in the tunnel, power and telecommunications, and bridge sectors. These sectors are expected to benefit from the increase in public investment in infrastructure referred to in Section 4.1.4. Projects completed by the National Specialist Services division include the CLEM7 Tunnel in Queensland and the Phu My Bridge in Vietnam. The role of each specialised team is to identify opportunities within its target sector, provide expertise and specialist advice, and deliver the project as part of a joint venture with the relevant state based division, where appropriate.

Baulderstone is also targeting opportunities in Queensland and Western Australia related to the continued growth in liquefied natural gas and coal seam gas, which is expected to drive ancillary infrastructure projects including the development of transport (including rail) and development in the marine sector (including ports), leveraging experience gained through Baulderstone's involvement in the Port Botany Expansion project. Baulderstone together with Conneq were recently awarded an early works contract to supply engineering, procurement and construction services to the upstream segment of the Australia Pacific LNG's coal seam gas to liquefied natural gas project in Queensland.

5.5.2 Grow the Services business

Valemus is a growing provider of specialist asset management and engineering services in Australia and intends to increase its involvement in the power, mining, and oil and gas sectors, both organically and potentially through acquisitions (described in Section 5.5.3).

The expected growth in the mining, and oil and gas sectors (refer to Section 4.2.4), which has resulted in associated demand for further infrastructure investment, has led Western Australia and Queensland to become key growth regions. To this end, Valemus intends to further expand Conneq's operations in strategic locations in Western Australia and Queensland in order to capture opportunities with major mining companies, oil and gas companies, and port authorities. The power sector, involving power generation, transmission and distribution, also represents a potential growth opportunity for Conneq, with energy asset owners across Australia announcing significant plans to upgrade generation capacity and distribution networks. Valemus intends to utilise Conneq's existing capabilities to win additional work in power generation, transmission and distribution.

Further, Conneq's existing telecommunications network maintenance capability will help position it to bid for parcels of the Federal Government's proposed National Broadband Network project.

5.5.3 Acquisitions

Valemus actively looks to identify niche businesses which complement its core capabilities in order to build scale and capability. Valemus believes that a number of potential bolt-on acquisition opportunities exist that, if completed, would further expand Valemus' existing capabilities in the Services industry in line with Conneq's strategic priorities in the power, mining, and oil and gas sectors.

Valemus is not currently considering acquisitions for Abigroup or Baulderstone, but may do so in the future if suitable opportunities arise.

5.6 EMPLOYEES

Valemus had over 6,800 employees as at 31 December 2009, with a wide range of qualifications, capabilities and experience, including over 950 project managers and engineers, 3,900 trade and industrial staff, and nearly 1,950 management, other professional and administrative staff. Subcontracting is also a significant source of labour for Valemus, particularly for building projects (refer to Section 5.6.2). The nature of the Services work undertaken by Conneq requires more trade and industrial employees and therefore Conneq accounts for the largest proportion of total Valemus employees.

The recruitment and retention of suitably qualified employees remain a strategic focus of each Valemus Business. National human resources managers in each business are supported by dedicated human resources staff within each region to implement the respective human resources strategies and priorities.

The development and retention of key personnel and succession planning are areas addressed directly by the Board.

Key human resources initiatives within Valemus include:

- graduate recruitment;
- induction and orientation programs for new staff;
- leadership training;
- performance and development review;
- high potential talent assessment;
- succession planning; and
- internal and external training programs.

A breakdown of employees by business, location and function as at 31 December 2009 is set out below, which does not include any subcontractor labour.

Figure 5.19 – Employees by business

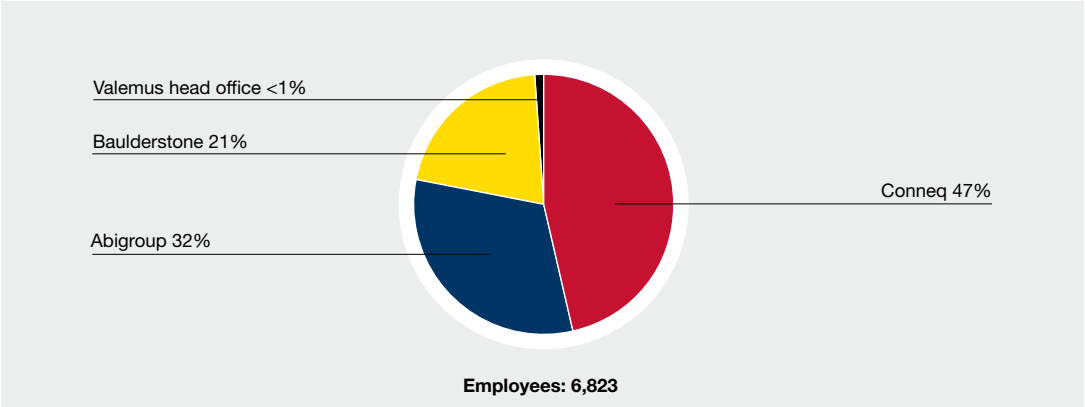
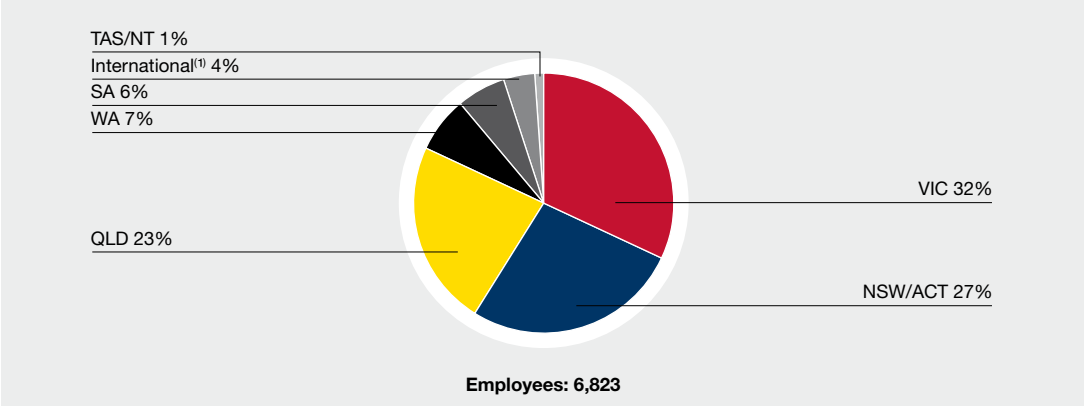
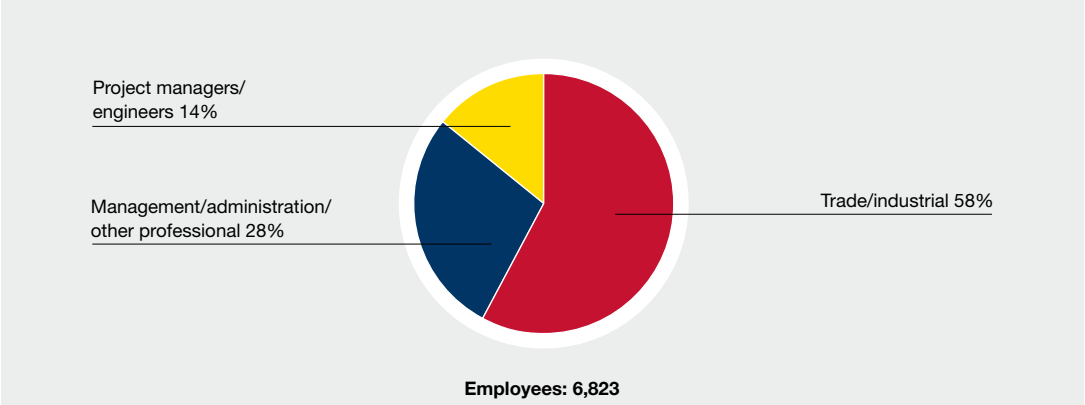


Figure 5.20 – Employees by location



Note:
(1) International includes New Zealand and certain other overseas operations.

Figure 5.21 – Employees by function



5.6.1 Industrial Relations

Industrial relations issues and strategies for a project are primarily the responsibility of the project manager in conjunction with relevant senior management. Staff are employed on standard common law contracts, whereas construction workers are generally engaged under enterprise agreements with the relevant union on a state-by-state basis. Under current Federal law, once these agreements have been approved by Fair Work Australia (a specialist industrial tribunal), any industrial action during the life of the agreement is unlawful. Each Valemus Business enters into separate enterprise agreements and negotiates renewals of each of these agreements at the expiry of its respective term, which is typically three years (terms of project-specific agreements can vary from this).

In recent years, the Valemus Businesses have experienced a relatively harmonious and productive relationship with their workforce with limited stoppages, mostly due to national or state stoppages.

5.6.2 Use of subcontractors

Valemus contracts out a large proportion of work to subcontractors, particularly when it undertakes building projects. Subcontractors are engaged on a project-by-project basis depending on the nature and demands of the project, the skill and resources of the subcontractor and the cost of the subcontractor relative to the tender price bid by Valemus. Where Valemus engages subcontractors, it retains primary liability to the customer for the quality and timeliness of subcontractors' work. In addition, as the principal contractor, Valemus is responsible to provide a safe work site for the subcontractors. While subcontractors are engaged on a project-by-project basis, Valemus has developed long-standing relationships with subcontractors with varied skills and known by Valemus to be reliable in the various jurisdictions in which it operates. To mitigate the risks associated with reliance on subcontractors, Valemus takes into account a subcontractor's historical project performance in assessing its suitability for current projects.

5.7 INSURANCE

Valemus purchases insurance coverage through brokers in both local and international insurance markets that it believes is customary and sufficient for the nature, size and scope of its businesses. Brokers review annually the insurance placed for Valemus.

Valemus currently also self-insures a number of its risks, primarily motor vehicle risk, via its wholly owned captive insurance business, VRMS, which is domiciled in Guernsey, Channel Islands. VRMS is regulated by the Guernsey Financial Services Commission to ensure the maintenance of VRMS' solvency and the adequacy of its reserves as compared to the risks it insures.

5.8 ENVIRONMENTAL REGULATION

Valemus is subject to numerous environmental and regulatory requirements related to its operations under Federal and state based environmental legislation. Authorities responsible for regulating environmental issues such as noise, emissions, effluent discharges and ecological impact of Valemus' operations include Federal, state and local government authorities.

The environment and community are important priorities for Valemus and it actively manages its responsibilities in accordance with relevant regulatory and other standards. Valemus' commitment to environmental management is supported by the environmental management systems in place in each of the Valemus Businesses.

Valemus documents and implements environmental management plans for all projects as part of its environmental and project management procedures. These may include plans for pollution prevention or control, noise and vibration, air quality, soil erosion and sedimentation, water quality, flora and fauna, community relations, heritage, construction waste management, traffic management, sustainable development, and emergency procedures.

Valemus' activities involve energy intensive processes. Valemus is currently required to report the emission of certain greenhouse gases from facilities under its operational control under the National Greenhouse and Energy Reporting Scheme. As part of the Federal Government's climate change policy, an Australian emissions trading scheme, called the Carbon Pollution Reduction Scheme ("CPRS"), was proposed to the Federal Parliament on 2 February 2010. The Federal Government recently announced that the implementation of a CPRS would be delayed until 2013 at the earliest, and no assurance was given that a CPRS or any other climate change legislation, regulation or policy will be implemented. Until any legislation in relation to the CPRS is finalised, the impact it may have on Valemus' financial performance and position will remain unclear.

5.9 LITIGATION

From time to time and due to the nature of its business, Valemus is involved in litigation and claims arising in the ordinary course of business, such as contractual disputes, product liability, property damage, health and safety, personal injury and environmental claims. Refer to Sections 11.4.3 and 11.14 for further details on litigation and legal proceedings involving Valemus.

6 BOARD, MANAGEMENT AND CORPORATE GOVERNANCE

Director profiles

The Hon. Nick Greiner AC
Chairman, Non-Executive Director

Nick was appointed Chairman of BBA in October 2003. He was a member of the New South Wales Parliament from 1980 to 1992 and Premier and Treasurer of New South Wales for the last five years of that period. Prior to entering Parliament and after a distinguished academic career, Nick held executive positions in the United States and in Australia and currently holds prominent board positions as Chairman of Bradken and Citigroup Australia, Deputy Chairman of Stockland Corporation and a director of a number of private groups.

In the Queen's Birthday Honours List of 1994, Nick was awarded a Companion of the Order of Australia for public sector reform and management and services to the community.

Nick holds an Honours degree in Economics from The University of Sydney and a Master of Business Administration degree with High Distinction from Harvard Business School. He is a Trustee of the Sydney Theatre Company Foundation and a member of the Board of Governors, Committee for Economic Development of Australia.

Trevor Bourne
Non-Executive Director

Trevor is currently chairman of Hastie Group and a non-executive director of Origin Energy and Caltex Australia. Previously, Trevor was a non-executive director of Coates Hire (2004 to 2008) and Lighting Corporation (2004 to 2008).

Prior to retirement in 2003, Trevor was the Chief Executive Officer of Tenix Investments. Tenix at the time was Australia's largest defence and technology company. Prior to Tenix, Trevor had a 16 year career at Brambles Industries, the last six as the Managing Director of Brambles Australia. His early career was as an engineer at the BHP Steelworks (now BlueScope Steel) and six years in engineering and production management roles at the chemical and fertiliser company Incitec.

Trevor holds a Mechanical Engineering degree (with merit) from The University of New South Wales, and a Master of Business Administration degree from The University of Newcastle.

6.1 BOARD

The board of directors of Valemus Limited brings relevant experience and skills, including construction, engineering, Services, financial management and corporate governance. The Board comprises:

Name	Position	Age
The Hon. Nick Greiner AC	Chairman, Non-Executive Director	63
Trevor Bourne	Non-Executive Director	63
Ken Dean	Non-Executive Director	57
Peter Brecht	Chief Executive Officer, Executive Director	54
Darrell Hendry	Chief Financial Officer, Executive Director	58

Ken Dean
Non-Executive Director

Ken has been a non-executive director of Santos since February 2005 and BlueScope Steel since April 2009. He has previously held directorships with Alcoa of Australia, Woodside Petroleum and Shell Australia.

Ken spent more than 30 years in a variety of senior management roles with Shell in Australia and the United Kingdom. His last position with Shell, which he held for five years, was as Chief Executive Officer of Shell Finance Services based in London. Following his return to Australia, Ken served as Chief Financial Officer of Alumina from 2005 to 2009. He brings extensive international financial and commercial experience to the Board.

Ken holds an Honours degree (Honours 1 and University Medal) in Commerce (Accounting and Financial Management) from The University of New South Wales. He is a current member of the Australian Institute of Company Directors and a Fellow of CPA Australia.

Peter Brecht
CEO, Executive Director

Peter joined Abigroup in 1988 and was appointed CEO of Valemus in February 2009. With over 28 years civil engineering experience, Peter has managed numerous civil projects in various roles. He became Managing Director of Abigroup Contractors in 1998 and was Managing Director of Abigroup in 2005 until 2009, when he was appointed CEO of Valemus. During Peter's time as Abigroup's Managing Director, gross revenue doubled and Abigroup diversified its business to include areas such as mining, water, telecommunications and rail.

Peter holds a Bachelor of Engineering (Civil) degree from The University of Newcastle and is currently a board member of The University of Newcastle Foundation, as well as the Queensland University of Technology Chief Executive Officer Forum. Peter is also the Vice President of the Australian Contractors Association.

Darrell Hendry
CFO, Executive Director

Darrell joined Abigroup in 1984 and was appointed CFO of Valemus in February 2004. With over 21 years experience as a CFO, Darrell previously held the Chief Financial Officer position at Abigroup from 1988 until 2004 where he was responsible for the financial and secretarial functions during its period as a listed public company on ASX. Darrell was appointed as a director of Abigroup in 1999. Darrell was Chief Financial Officer and Company Secretary of Hills Motorway between 1994 and 2003, in conjunction with his responsibilities with Abigroup.

Darrell holds a Bachelor of Commerce degree from the University of New South Wales and is a member of The Institute of Chartered Accountants in Australia.

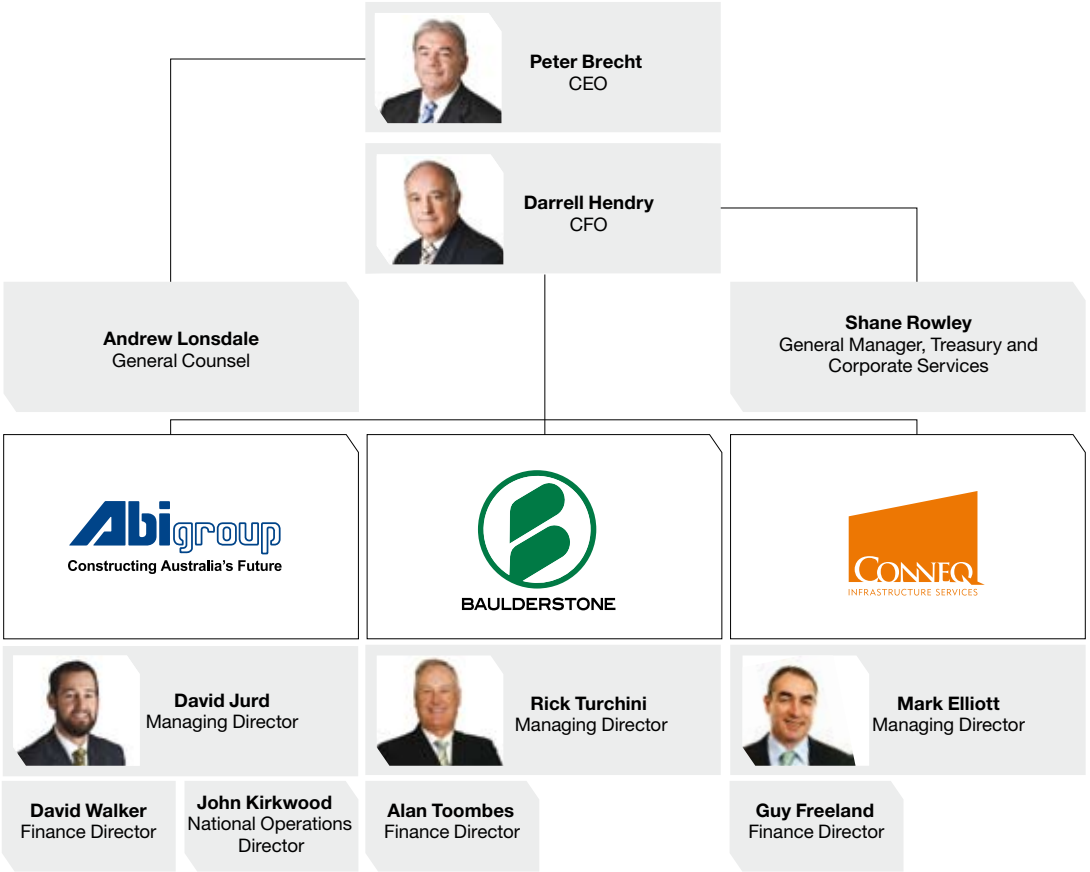
The Board has considered Valemus Limited's immediate requirements as it transitions to an ASX listed company and is satisfied that the composition of the Board reflects an appropriate range of independence, skills and experience for the Company in the period immediately after Listing on ASX. Valemus Limited is intending to appoint two further Non-Executive Directors in the short term after Listing to enhance further the Board's experience and capabilities.

Directors are elected at annual general meetings of the Company. Retirement will occur on a rotational basis so that any Director who has held office for three or more years or three or more annual general meetings (other than one of the executive Directors) will retire and be eligible for re-election. Refer to Section 11.2 for more information about the composition of the Board and the election of Directors, and Section 11.8 for more information about the Directors' remuneration.

6.2 SENIOR MANAGEMENT TEAM

6.2.1 Organisational structure

The diagram below shows the current senior management and organisational structure of Valemus.



6.2.2 Senior management profiles

Profiles of Valemus' senior management team are set out below.

Peter Brecht (age 54)
CEO, Valemus

Refer to Section 6.1.

Darrell Hendry (age 58)
CFO, Valemus

Refer to Section 6.1.

Shane Rowley (age 56)
General Manager, Treasury and Corporate Services, Valemus

Shane has over 30 years experience in senior finance roles. He first joined Abigroup in 1984 and came to Valemus' corporate head office in 2005 as the General Manager Treasury and Corporate Services, after holding those positions at Abigroup. He is responsible for all treasury matters, including the group banking relationships and finance, taxation and insurance for Valemus.

Shane has been involved in a number of major projects in his treasury and finance role, including the Department of Agriculture building at Orange, M2 and M7 Motorways, CLEM7 Tunnel and Peninsula Link Freeway projects.

Shane holds a Bachelor of Economics degree from Macquarie University.

Andrew Lonsdale (age 42)
General Counsel, Valemus

Andrew joined Abigroup in 1998 as its first Corporate Counsel and was appointed General Counsel of Valemus in June 2005. Andrew has more than 20 years experience in the practice of construction law. Since joining Valemus, he has been involved in successful bids for a number of significant infrastructure projects, including the M7 Motorway, Gateway Upgrade, CLEM7 Tunnel, Port Botany, Adelaide Desalination Plant and Peninsula Link Freeway projects.

Andrew holds a Bachelor of Laws degree with Honours from The University of Queensland. He is admitted as a legal practitioner and is a member of the Law Society of New South Wales and the Australian Corporate Lawyers Association.

David Jurd (age 46)
Managing Director, Abigroup

David joined Abigroup in 1991, was appointed as a director of Abigroup in 2006 and Managing Director in 2009. With over 25 years experience in the construction industry, David has gained exposure to various building and multi-discipline engineering projects within Australia and overseas. Prior to his appointment as Managing Director of Abigroup, David was a Construction Manager for the M2 Motorway project, New South Wales Engineering Manager, as well as a Construction Director for the M7 Motorway project.

David holds a Bachelor of Engineering (Civil), Honours Class 2 degree from The University of Newcastle and is a Chartered Professional Engineer. He is also a board member of the Australian Contractors Association.

David Walker (age 55)
Finance Director, Abigroup

David joined Abigroup in 1986 and was appointed Finance Director in 2005. With over 34 years experience as a qualified accountant, David worked in the manufacturing and construction sectors prior to joining Abigroup. Prior to his appointment as Finance Director, David held the positions of Group Finance Manager and General Manager Finance for Abigroup.

David holds an Accounting diploma from the Sydney Technical College.

John Kirkwood (age 52)
National Operations Director, Abigroup

John joined Abigroup in 1986 and was appointed National Operations Director in February 2009. John has over 35 years experience within the construction industry and is a past president of the Queensland Master Builders Association. Prior to his appointment as National Operations Director, John held a variety of roles within Abigroup, including the position of General Manager, Northern Region where he was responsible for all Queensland operations and prior to that, Building Manager, Northern Region where he was responsible for Abigroup's Queensland building operations.

John holds a Bachelor of Applied Science (Building) degree from the Queensland University of Technology.

Richard (Rick) Turchini (age 63)
Managing Director, Baulderstone

Rick joined Baulderstone as Managing Director in 2005. With over 40 years industry experience, Rick has had extensive exposure to the electrical, civil building, and mining sectors. Prior to joining Baulderstone, Rick held numerous positions during his 23 year tenure with Leighton Contractors, the last 12 years of which he was the General Manager for New South Wales and the Australian Capital Territory and a director of Leighton Contractors.

Rick is a qualified civil engineer and is a board member of the Australian Contractors Association, board member of Infrastructure Partnerships Australia, and was a member of the Institute of Engineers Australia and the NSW Government Construct Roundtable.

Alan Toombes (age 56)
Finance Director, Baulderstone

Alan joined Baulderstone as Finance Director in 2006. With over 16 years industry experience, Alan has previously held senior finance positions with Stockland Corporation, Transfield Holdings and Lend Lease Corporation.

Alan holds a Bachelor of Arts (Accounting) degree, as well as a Master of Business Administration degree from Macquarie University. He is a member of The Institute of Chartered Accountants in Australia.

Mark Elliott (age 47)
Managing Director, Conneq

Mark joined Conneq as Managing Director in 2005 from Abigroup Asset Services, where he was Managing Director since 2002. With over 25 years experience in a variety of contracting disciplines, including civil construction, operations and maintenance, process engineering and contract mining, Mark has previously worked at Thiess and Macmahon Contractors. He has been a former Chairman of Infrastructure Partnerships Australia Water Taskforce, Chairman of Engineers Without Borders Australia and President of the Civil Constructors Federation (Northern Territory).

Mark is a qualified engineer and holds a Bachelor of Engineering (Civil) degree from The University of Sydney.

Guy Freeland (age 50)
Finance Director, Conneq

Guy joined Conneq as Finance Director in 2009, previously holding senior financial and general management roles in the accounting profession and across a wide range of fast moving consumer goods, information technology and industrial businesses based in Sydney, London and Singapore. Prior to joining Conneq, Guy worked at Ingram Micro Australia, where he held the position of Asia Pacific Chief Financial Officer for five years and then Australian Managing Director for four years.

Guy holds a Bachelor of Commerce degree (with Merit) from The University of New South Wales and is a member of The Institute of Chartered Accountants in Australia.

6.3 CORPORATE GOVERNANCE

The Board monitors the operational and financial position and performance of Valemus and oversees its business strategy, including approving the strategic goals of Valemus. The Board is committed to maximising performance, generating appropriate levels of Shareholder value and financial return, and sustaining the growth and success of Valemus and its operating entities. In conducting business with these objectives, the Board is concerned to ensure that Valemus is properly managed to protect and enhance Shareholder interests, and that Valemus, its Directors, officers and employees operate in an appropriate environment of corporate governance. Accordingly, the Board has adopted corporate governance policies and practices designed to promote the responsible management and conduct of Valemus.

The main policies and practices adopted by Valemus are summarised below. In addition, many governance elements are contained in the Constitution of the Company. The Valemus code of conduct outlines how Valemus expects Directors and employees to behave and conduct business in a range of circumstances. In particular, the code requires awareness of, and compliance with, laws and regulations relevant to Valemus' operations, including OH&S, risk management, privacy and employment practices. Details of Valemus' key policies and practices and the charters for the Board and each of its committees are available at www.valemus.com.au.

6.3.1 Board Charter

The Board is responsible for the overall governance of Valemus.

The Board has adopted a Board Charter which sets out the responsibilities of the Board in greater detail, including the following responsibilities:

- enhancing Shareholder value;
- providing strategic direction for, and approving, the Valemus Businesses' strategies, objectives and budgets;
- monitoring the operational and financial position and performance of Valemus;
- identifying the principal risks faced by Valemus and taking reasonable steps designed to ensure that appropriate internal controls and monitoring systems are in place to manage and, to the extent possible, reduce the impact of these risks;
- approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;
- appointing, overseeing, evaluating the performance of and, where appropriate, removing the chief executive officer and the chief financial officer;
- ratifying the appointment, and where appropriate, the removal of senior executives;
- monitoring Management's performance and the execution of its growth strategy, and seeking to ensure appropriate resources are available;
- adopting appropriate procedures to ensure compliance with all laws, governmental regulations and accounting standards, including establishing procedures to ensure that financial results are appropriately and accurately reported on a timely basis in accordance with all legal and regulatory requirements; and
- approving, and reviewing from time to time, Valemus' internal compliance procedures, including any codes of conduct, and taking all reasonable steps to ensure that the business of Valemus is conducted in an open and ethical manner.

In carrying out its responsibilities and functions, the Board may delegate any of its powers to a Board committee, Director, an employee or another person subject to ultimate responsibility of the Directors.

Under the Charter, a Director may obtain independent professional advice, with the Chairman's prior approval.

The Board is currently made up of five Directors, three of whom are Non-Executive Directors. It is intended that the Board should comprise a majority of independent Non-Executive Directors and comprise directors with a broad range of skills, expertise and experience from a diverse range of backgrounds. It is also intended that the chair should be an independent Non-Executive Director.

Consistent with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the Board considers an independent Director to be a Non-Executive Director who is not a member of Valemus' management and who is free of any business or other relationship that could materially interfere with the independent exercise of their judgement. The Board will consider the materiality of any given relationship on a case-by-case basis and has adopted materiality guidelines to assist it in this regard. The Board reviews the independence of each Director in light of interests disclosed to the Board from time to time. The Board considers all three of the Non-Executive Directors to be independent.

6.3.2 Board committees

All decision making on substantive matters will be decided by Management and the Board. To assist the Board in performing its duties, the following committees have been established, each of which has its own charter:

- Audit Committee;
- OHS and Sustainability Committee;
- Remuneration and Organisation Committee; and
- Nomination Committee.

The Board may establish other committees from time to time if required. Membership of Board committees will be based on the needs of Valemus, relevant legislative and other requirements and the skills and experience of individual Directors.

The charters of these committees reflect the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations and are available from Valemus' website at www.valemus.com.au.

Audit Committee

The purpose of the Audit Committee is to assist the Board:

- in relation to the reporting of financial information;
- in relation to the appropriate application and amendment of accounting policies;
- in relation to the appointment, independence and remuneration of the external auditor; and
- by acting as a link between the external auditor, the Board and management of Valemus,

by receiving reports from senior management, reviewing those reports, and subsequently making recommendations to the Board within the Committee's areas of recommendatory responsibility and in accordance with any legal, accounting or other relevant requirements.

The Committee will meet as often as required and it is intended that it will normally meet three times a year, except where the Committee chair determines otherwise. Meetings of the Committee may be attended by non-Committee members, including members of management and the external auditor, at the invitation of the Committee chair. The Committee will provide regular reports to the Board on the matters within the Committee's areas of recommendatory responsibility. The Committee may take advice from external parties at Valemus' cost.

The Committee consists of at least three Non-Executive Directors, including the Committee chair, who is not chair of the Board.

It is intended that all members of the Committee should be Non-Executive Directors, financially literate and have familiarity with financial management and at least one member should have relevant qualifications and experience (that is, be a qualified accountant or other finance professional with experience of financial and accounting matters).

The Committee currently consists of Ken Dean (as Committee chair), Nick Greiner and Trevor Bourne.

OHS and Sustainability Committee
The purpose of the OHS and Sustainability Committee is to assist the Board by:

- providing advice in relation to the adequacy of Valemus' OHS and sustainability management and performance and auditing systems;
- providing advice on compliance with legal and regulatory obligations relating to OHS and environmental matters;
- providing advice on the potential for Valemus' liability arising from OHS and sustainability issues;
- reviewing Valemus' strategic and operational approach to sustainability;
- considering the impact on Valemus of changes in OHS and environmental legislation, community expectations, research findings and technology; and
- considering whether the OHS and sustainability systems and controls are being effectively implemented and monitored,

by receiving reports from senior management, reviewing those reports, and subsequently making recommendations to the Board within the Committee's areas of recommendatory responsibility and in accordance with any legal or other relevant requirements.

The Committee will meet as often as required and it is intended that it will normally meet three times a year, except where the Committee chair determines otherwise. Meetings of the Committee may be attended by non-Committee members, including members of management and the external auditor, at the invitation of the Committee chair.

The Committee consists of at least two Non-Executive Directors, the majority of whom are independent, including the Committee chair.

The Committee currently consists of Trevor Bourne (as Committee chair), Ken Dean and Peter Brecht.

Remuneration and Organisation Committee
The purpose of the Remuneration and Organisation Committee is to assist the Board in the effective discharge of its responsibilities, including but not limited to matters relating to remuneration of the Directors, and overseeing recruitment policies and remuneration packages for management and employees of Valemus.

The Committee will assist the Board in relation to matters falling within its responsibilities by receiving reports from management, reviewing those reports, and subsequently making recommendations to the Board within the Committee's areas of recommendatory responsibility and in accordance with any legal or other relevant requirements.

The Committee may also assist the Board in relation to any corporate governance issues related to the Directors, as requested by the Board from time to time.

The Committee will meet as often as required and it is intended that it will normally meet three times a year, except where the Committee chair determines otherwise. Meetings of the Committee may be attended by non-Committee members, including any member of management by invitation by the Committee chair. The Committee will provide regular reports to the Board on matters within the Committee's areas of recommendatory responsibility.

The Committee consists of at least three members, all of whom are Non-Executive Directors, including the Committee chair.

The Committee currently consists of Trevor Bourne (as Committee chair), Ken Dean and Nick Greiner.

Nomination Committee
The purpose of the Nomination Committee is to assist the Board in the effective discharge of its responsibilities, including but not limited to matters relating to succession planning, and recommending individuals for nomination as members of the Board and its committees.

The Committee will assist the Board in relation to matters falling within its responsibilities by receiving reports from management, reviewing those reports, and subsequently making recommendations to the Board within the Committee's areas of recommendatory responsibility and in accordance with any legal or other relevant requirements.

The Committee may also assist the Board in relation to any corporate governance issues related to the Directors, as requested by the Board from time to time.

The Committee will meet as often as required and it is intended that it will normally meet three times a year, except where the Committee chair determines otherwise. Meetings of the Committee may be attended by non-Committee members, including any member of management by invitation by the Committee chair. The Committee will provide regular reports to the Board on matters within the Committee's areas of recommendatory responsibility.

The Committee consists of all of the Non-Executive Directors, including the Committee chair.

The Committee currently consists of Nick Greiner (as Committee chair), Ken Dean and Trevor Bourne.

Continuous Disclosure Policy
Once listed, Valemus Limited will be a 'disclosing entity' pursuant to section 111AC of the Corporations Act. As such, it will be subject to the continuous disclosure requirements of the Listing Rules and section 674 of the Corporations Act. Subject to the exceptions contained in the Listing Rules, Valemus Limited will be required to disclose to ASX any information concerning Valemus which is not generally available and which, if it was made available, a reasonable person would expect to have a material effect on the price or value of Shares. In addition, Valemus Limited will provide ASX with any information necessary to correct or prevent a false market in Valemus Limited securities.

All information provided to ASX will be posted to Valemus' website at www.valemus.com.au after ASX confirms an announcement has been made.

Valemus has also adopted a Shareholder communications strategy aimed at ensuring that Shareholders are well informed of all major developments affecting the state of affairs of Valemus.

The Company Secretary has primary responsibility for the administration of the Policy and for co-ordinating the disclosure of price sensitive information relating to Shares to ASX. The Company Secretary will also be responsible for ensuring that senior management of Valemus are aware of their responsibilities under the Policy.

Continuous disclosure will be a standing agenda item at each Board meeting.

Securities Trading Policy
Valemus has adopted a policy for dealing in securities which governs trading in Shares by Directors, officers, senior executives, employees and their associates. The purpose of the Policy is to raise awareness of insider trading rules, and of the fact that trading must not proceed without prior notification and clearance.

Any Director or employee who is in possession of price sensitive information which is not generally available to the market must not deal in Valemus Limited securities. Subject to notification and approval requirements, Directors and senior executives may deal in Valemus Limited securities during the four to six week period immediately after the:

- announcement to ASX of the yearly results;
- announcement to ASX of the half-year results;
- Company's annual general meeting; and
- release of a disclosure document on issue under which persons may subscribe for securities.

During any other period, Directors and senior executives must receive clearance for any proposed dealing in Valemus Limited securities in accordance with the Policy.

The Policy provides that if a Director or senior executive of Valemus wishes to trade in Valemus Limited securities or exercise options over Shares during the above trading windows, they must first advise the Chairman (in the case of Directors or senior executives) or the Board or the most senior Director in advance of any proposed dealing (in the case of the Chairman) of their intention to do so.

Directors must also confirm any such dealings in securities in accordance with the Policy.

In addition, Valemus has in place prohibitions with respect to hedging and margin loan arrangements which are consistent with market practice.

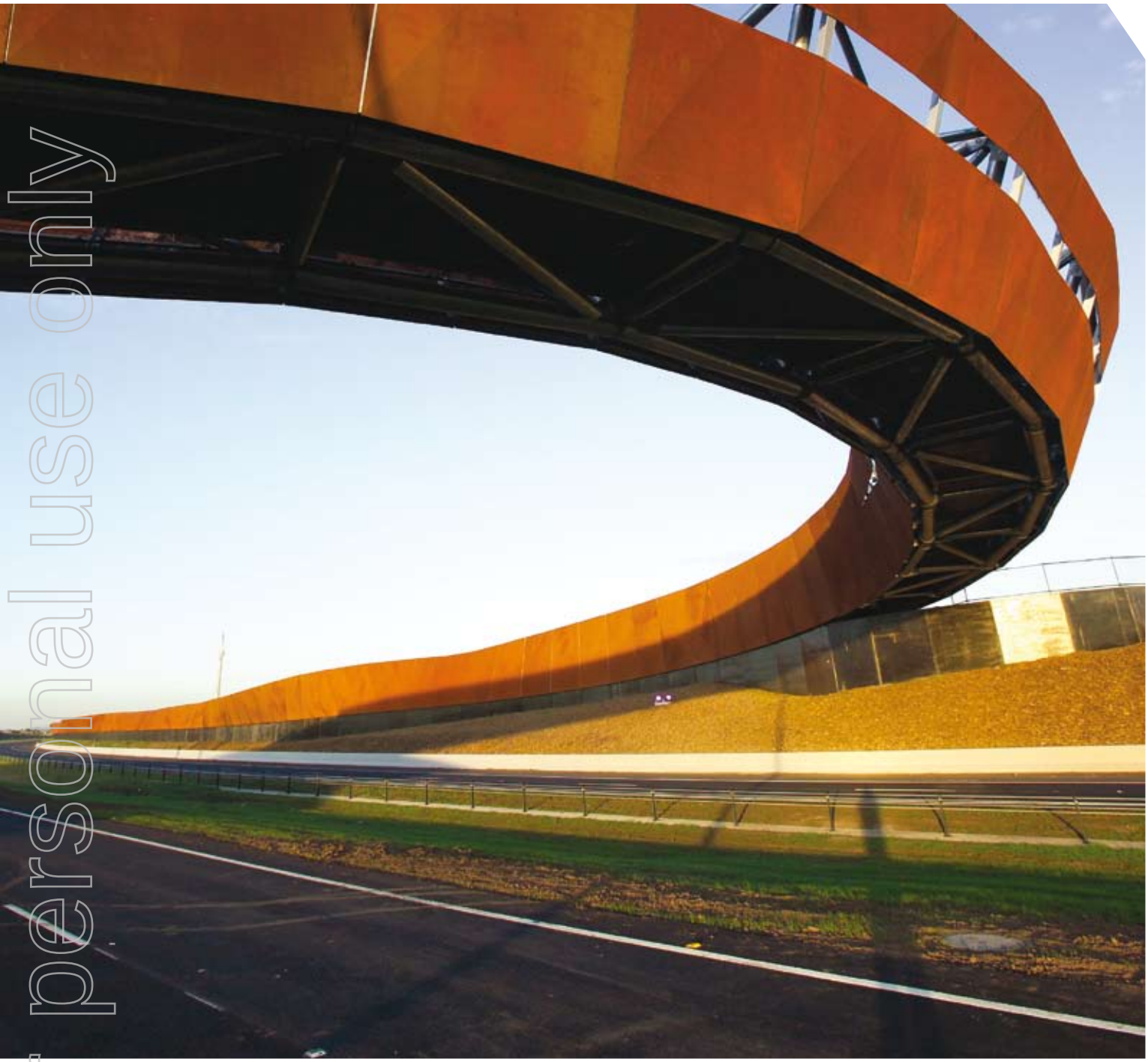
Code of conduct
Valemus has also adopted a code of conduct which sets out Valemus' commitment to maintaining the highest level of integrity and ethical standards in all business practices. The code of conduct sets out for all Directors, management and employees the standards of behaviour expected of them, and the steps that should be taken in the event of uncertainty or a suspected breach by a colleague.

6.3.3 Employee, senior executives and Director equity incentive plans

Valemus has introduced a number of equity incentive plans pursuant to which employees, senior executives and Directors may acquire Shares or rights to Shares. Details of the terms and conditions of the plans are set out in Section 11.7.

6.3.4 Deeds of access, indemnity and insurance

Valemus has entered into deeds of access, indemnity and insurance with each Director. Refer to Section 11.5 for further information.



Craigieburn Bypass, VIC
(Abigroup)

7 FINANCIAL INFORMATION

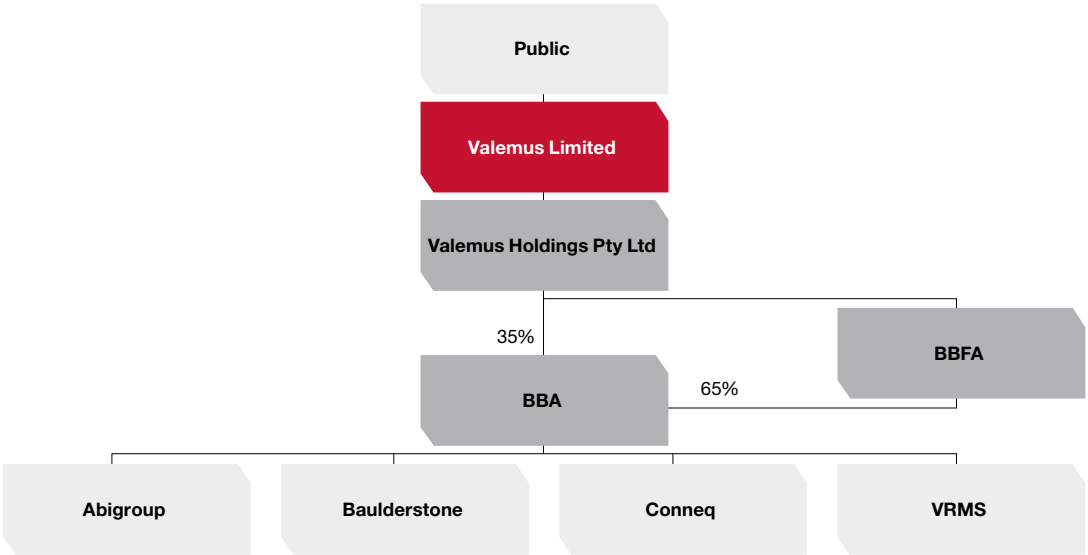
7.1 OVERVIEW

This Section contains a summary of the Historical Financial Information and Forecast Financial Information of Valemus (together, the "Financial Information"). Valemus operates on a financial year ending 31 December, and all figures within this Section are for years ended or ending 31 December unless otherwise noted.

The Historical Financial Information is derived from BBFA's historical financial information, which reflects the historical results of the businesses Valemus will acquire in connection with the Offer. This presentation allows a meaningful comparison of the Historical Financial Information and Forecast Financial Information to be made.

Prior to the completion of the Offer, Valemus Holdings Pty Ltd, a wholly owned subsidiary of Valemus Limited, will gain control of BBFA, BBA and their controlled entities. Upon completion of the Offer, Valemus will comprise Valemus Limited, Valemus Holdings, BBFA, BBA and their controlled entities as illustrated in Figure 7.1.

Figure 7.1 – Valemus' organisational structure on completion of the Offer



Notes: Lines indicate 100% holdings unless otherwise indicated.

The Historical Financial Information comprises the:

- pro forma consolidated income statements and footnotes thereto in Section 7.3 of Valemus for the years ended 31 December 2007, 2008 and 2009 which includes the pro forma adjustments disclosed in Section 7.9;
- pro forma consolidated statements of cash flow from operations and footnotes thereto in Section 7.5 of Valemus for the years ended 31 December 2007, 2008 and 2009 which includes the pro forma adjustments disclosed in Section 7.9;
- historical consolidated statement of financial position of BBFA as at 31 December 2009 set out in Section 7.4; and
- pro forma consolidated statement of financial position in Section 7.4 and footnotes thereto of Valemus as at 31 December 2009 which assumes completion of the proposed transactions and includes the pro forma adjustments disclosed in Section 7.4.

The Forecast Financial Information comprises the:

- pro forma forecast consolidated income statement of Valemus for the year ending 31 December 2010 as set out in Section 7.3; and
- pro forma forecast consolidated statement of cash flow of Valemus for the year ending 31 December 2010 as set out in Section 7.5.

Also summarised in this Section are:

- the basis of preparation and presentation of the Financial Information (refer to Section 7.2);
- management's discussion and analysis of the Historical Financial Information (refer to Section 7.6); and
- the Directors' best estimate assumptions underlying the Forecast Financial Information and an analysis of sensitivities relating thereto (refer to Sections 7.7 and 7.8).

The information in this Section should also be read in conjunction with the sensitivities set out in Section 7.8, the risk factors set out in Section 10 and other information set out in this Prospectus.

The Historical Financial Information has been reviewed by Ernst & Young, whose Investigating Accountant's Report is contained in Section 8. Prospective investors should note the scope and limitations of the Investigating Accountant's Report on Historical Financial Information.

The Forecast Financial Information has been reviewed by Ernst & Young Transaction Advisory Services Limited, whose Investigating Accountant's Report is contained in Section 8. Prospective investors should note the scope and limitations of the Investigating Accountant's Report on Forecast Financial Information.

7.2 BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL INFORMATION

The Financial Information included in this Section has been prepared and presented in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards and other mandatory professional reporting requirements in Australia, except where otherwise disclosed in this Section.

Valemus equity accounts for its construction joint ventures in its statutory accounts (meaning that only the net amount, being revenue minus expenses, from these joint ventures is included in those statutory accounts). However, in this Prospectus, gross revenue and gross expenses include Valemus' revenue and expenses from all business activities including its share of revenue and expenses recognised by its construction joint ventures. This reflects the level of operations being undertaken by Valemus both through its wholly owned businesses and its construction joint ventures. Whilst this is a different treatment to that under Australian Accounting Standards, the disclosure in the pro forma financial information presented is consistent with the information used by Directors to review and manage the financial results of Valemus and its construction joint ventures.

Certain significant accounting policies relevant to the Financial Information are disclosed in Section 7.15 and in Note 2 to the financial statements in BBFA's 2009 Annual Report which has been lodged with ASIC and is available from www.valemus.com.au. The Financial Information is presented in an abbreviated form and does not contain all of the disclosure provided in an annual report in accordance with the Corporations Act.

Segmental disclosure of the Financial Information comprises the Valemus Businesses: Abigroup, Baulderstone and Conneq. These segments are based on Valemus' management reporting system.

7.2.1 Preparation of Historical Financial Information

The Historical Financial Information is extracted or derived from the audited consolidated financial statements of BBFA for the years ended 31 December 2007, 2008 and 2009. The CY2007, CY2008 and CY2009 statutory financial statements of BBFA are available at www.valemus.com.au and were audited by Ernst & Young, which issued unqualified audit opinions on these financial statements. In preparing the Historical Financial Information, certain adjustments were made to the audited results of BBFA that were considered appropriate to reflect the impact of the Offer, the unwinding of certain BBAG inter-company transactions, the alternative presentation of the results of the construction joint ventures as explained in Section 7.2 and the exclusion of certain historical non-recurring items, details of which are set out in Sections 7.4 and 7.9.

7.2.2 Preparation of Forecast Financial Information

The Forecast Financial Information has been based on the best estimate assumptions of the Directors set out in Section 7.7. The Directors believe that they have prepared the Forecast Financial Information with due care and attention, and consider all best estimate assumptions when taken as a whole to be reasonable at the time of preparing this Prospectus.

This information is intended to assist prospective investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur.

In the pro forma forecast CY2010 income statement, net financing costs reflect the annualised effect of the proposed capital and debt structure post the Offer as if it were in place from 1 January 2010 (refer to Section 7.9 for further details).

Prospective investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information, and that any deviation from these assumptions may have a material positive or negative effect on Valemus' actual financial performance or position. Prospective investors are advised to review the best estimate assumptions set out in Section 7.7, in conjunction with the sensitivity analysis set out in Section 7.8, the risk factors set out in Section 10 and other information set out in this Prospectus.

The basis of preparation and presentation of the Forecast Financial Information, to the extent relevant, is consistent with the basis of preparation and presentation of the Historical Financial Information.

7.3 SUMMARY OF PRO FORMA HISTORICAL AND PRO FORMA FORECAST INCOME STATEMENTS

Table 7.1 presents the pro forma historical consolidated income statements for CY2007, CY2008 and CY2009, and the pro forma forecast consolidated income statement for CY2010. The historical consolidated income statements have been presented before net financing costs and tax expense due to the different capital and debt structure that will be in place following the Offer.

Table 7.1 – Pro forma historical consolidated income statements for CY2007, CY2008 and CY2009, and pro forma forecast consolidated income statement for CY2010

Year to 31 December ($ million)	Pro forma historical[3]			Pro forma forecast
	CY2007	CY2008	CY2009	CY2010
Gross revenue[1]	3,517	4,281	4,766	4,600
Revenue growth		*21.8%*	*11.3%*	*(3.5%)*
Gross expenses[1]	(3,348)	(4,042)	(4,563)	(4,380)
EBITDA	**169**	**239**	**203**	**220**
EBITDA growth		*41.9%*	*(15.1%)*	*8.3%*
EBITDA margin (% of gross revenue)	*4.8%*	*5.6%*	*4.3%*	*4.8%*
Depreciation and amortisation[2]	(26)	(37)	(40)	(42)
EBIT	**143**	**202**	**163**	**178**
EBIT growth		*41.3%*	*(19.5%)*	*9.5%*
EBIT margin (% of gross revenue)	*4.1%*	*4.7%*	*3.4%*	*3.9%*
Net financing costs				(12)
Pre-tax profit				**166**
Tax expense				(50)
NPAT				**116**

Notes:

(1) Valemus equity accounts for its construction joint ventures in its statutory accounts (meaning that only the net amount, being revenue minus expenses, from these joint ventures is included in those statutory accounts). However, in this table, gross revenue and gross expenses include Valemus' revenue and expenses from all business activities including its share of revenue and expenses recognised by its construction joint ventures. This reflects the level of operations being undertaken by Valemus both through its wholly owned businesses and its construction joint ventures. Whilst this is a different treatment to that under Australian Accounting Standards, the disclosure in the pro forma financial information presented is consistent with the information used by Directors to review and manage the financial results of Valemus and its construction joint ventures.

(2) The depreciation and amortisation expense excludes project specific depreciation charges.

(3) The historical consolidated income statements have been presented before net financing costs and tax expense due to the different capital and debt structure that will be in place following the Offer.

Table 7.2 reconciles gross revenue and gross expenses as presented in the pro forma historical consolidated income statements for CY2007, CY2008 and CY2009, and the pro forma forecast consolidated income statement for CY2010 to the historical consolidated income statements for CY2007, CY2008 and CY2009, and the forecast consolidated income statement for CY2010 as presented on a statutory basis.

Table 7.2 – Reconciliation of pro forma historical and forecast consolidated gross revenue and gross expenses to statutory historical and forecast consolidated revenue and expenses for CY2007, CY2008, CY2009 and CY2010

Year to 31 December ($ million)	Pro forma historical[3]			Pro forma forecast
	CY2007	CY2008	CY2009	CY2010
Revenue				
Gross revenue	3,517	4,281	4,766	4,600
Net pro forma adjustments[1]	–	(21)	–	–
Share of construction joint venture revenue	(647)	(971)	(858)	(920)
Statutory revenue from operating activities	2,870	3,289	3,908	3,680
Expenses				
Gross expenses	3,348	4,042	4,563	4,380
Net pro forma adjustments[1]	19	6	16	7
Share of construction joint venture expenses	(577)	(864)	(838)	(823)
Depreciation and amortisation	26	37	40	42
Other[2]	5	3	3	–
Statutory expenses	2,821	3,224	3,784	3,606

Notes:

(1) Refer to Section 7.9 for a further explanation of the historical and forecast pro forma adjustments that relate to the financial impact of the Blacktown Shopping Centre Litigation (refer to Section 11.4.3 for further details), one-off business developments costs in India, a one-off employee separation payment, and the impact of transaction and Listing costs.

(2) Includes profit or loss on disposal of fixed assets and certain other items.

Table 7.3 reconciles EBIT as presented in the pro forma historical consolidated income statements for CY2007, CY2008 and CY2009, and the pro forma forecast consolidated income statement for CY2010 to the historical consolidated income statements for CY2007, CY2008 and CY2009, and the forecast consolidated income statement for CY2010 as presented on a statutory basis.

Table 7.3 – Reconciliation of pro forma historical and forecast consolidated EBIT to statutory historical and forecast consolidated EBIT for CY2007, CY2008, CY2009 and CY2010

Year to 31 December ($ million)	Pro forma historical			Pro forma forecast
	CY2007	CY2008	CY2009	CY2010
Pro forma EBIT	143	202	163	178
Net adjustments[1]	(19)	(27)	(16)	(7)
Statutory EBIT[2]	124	175	147	171

Notes:

(1) Refer to Section 7.9 for a further explanation of the historical and forecast pro forma adjustments that relate to the financial impact of the Blacktown Shopping Centre Litigation (refer to Section 11.4.3 for further details), one-off business developments costs in India, a one-off employee separation payment, and the impact of transaction and Listing costs.

(2) Statutory EBIT refers to EBIT derived from BBFA's statutory accounts for CY2007, CY2008 and CY2009. Statutory EBIT for CY2010 is derived from the Forecast Financial Information prepared by the Directors. EBIT is presented on the basis of the accounting policies adopted at 31 December 2009.

7.4 HISTORICAL AND PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF VALEMUS

Table 7.4 presents the historical statement of financial position of Valemus that has been extracted from the audited financial statements of BBFA for the year ended 31 December 2009 and the pro forma statement of financial position at 31 December 2009, reflecting the following proposed transactions and pro forma adjustments:

- the receipt of gross proceeds of the Offer of $1,304 million (based on the mid-point of the Indicative Price Range of $2.20 to $2.50 per Share). Gross transaction costs of $57 million will be paid out of these proceeds. Transaction costs of $55 million ($39 million after tax effects) relating to the issuance of Shares are set off against contributed equity and $2 million of other non-recurring expenses are charged to retained earnings;
- the restructuring conducted in advance of the settlement of the Offer, whereby Valemus gains control of BBFA. This restructuring does not meet the definition of a business combination and is outside the scope of AASB 3R *Business Combinations*. The restructuring is therefore accounted for as a group reorganisation and the pro forma consolidated statement of financial position reflects a continuation of BBFA, with the only difference being that the share capital is that of Valemus Limited, and to the extent that this is different to that of BBFA, results in an adjustment to consolidated reserves. The effect is a debit adjustment of $707 million to equity and the removal of BBAG's minority interest of $202 million in BBA. This results in the reinstatement of retained earnings previously attributable to BBAG of $82 million;
- the payments made to BBAG in relation to the transfer of shares in BBFA and BBA of $1,047 million, including for preference shares in BBFA of $220 million, which had a net effect of $827 million;
- the assumption by BBAG of risk and rewards of the outcome of the Blacktown Shopping Centre Litigation on the terms set out in Section 11.4.3. The pro forma adjustment reflects the monetisation by BBAG of Valemus' related contract work in progress of $30 million by BBAG paying to Valemus that amount. Pending resolution of the litigation, $20 million of this amount is unavailable for use by Valemus in the ordinary course of its business. Accordingly, it is presented within non-current assets as restricted cash;
- the payment of the net amounts owed by BBAG to Valemus in cash, resulting in the net receipt by Valemus of $103 million; and
- in connection with the Bank Guarantee Facility (refer to Sections 7.10 and 11.4.4 for further details), Valemus is required to provide security to lenders to the facility by way of a fixed charge over a bank account containing at all times a minimum cash balance of $300 million. This cash is unavailable for use by Valemus in the ordinary course of its business and accordingly is presented within non-current assets as restricted cash.

Adjustments to tax assets reflect the tax effect of the above transactions.

The adjustments noted above increase the net assets of Valemus by $436 million. This is a combination of the retention by Valemus of $200 million from the net proceeds to ensure the capital structure supports the growth plan, additional equity replacing an equivalent amount previously treated as a non-current liability of $220 million and the tax effect of transaction costs of $16 million.

The adjustments discussed above include assumptions relating to matters that are not known as at the date of this Prospectus, such as the Final Price. The pro forma consolidated statement of financial position is therefore provided for illustrative purposes only and is not represented as being necessarily indicative of Valemus' view on its future financial position.

Table 7.4 – Audited historical consolidated statement of financial position of BBFA and pro forma historical consolidated statement of financial position of Valemus as at 31 December 2009

As at 31 December 2009 ($ million)	Audited	Adjustments	Pro forma
Current assets			
Cash and cash equivalents	262	13	275
Trade and other receivables	556	(103)	453
Inventories	129	–	129
Current tax assets	2	3	5
Total current assets	**949**	**(87)**	**862**
Non-current assets			
Restricted cash(1)	–	320	320
Inventories	30	(30)	–
Investments accounted for using the equity method	11	–	11
Property, plant and equipment	233	–	233
Deferred tax assets	48	13	61
Intangible assets(2)	297	–	297
Total non-current assets	**619**	**303**	**922**
Total assets	**1,568**	**216**	**1,784**
Current liabilities			
Trade and other payables	751	–	751
Interest bearing liabilities	25	–	25
Provisions	54	–	54
Current tax liabilities	30	–	30
Total current liabilities	**860**	**–**	**860**
Non-current liabilities			
Interest bearing liabilities	301	(220)	81
Provisions	27	–	27
Deferred tax liabilities	28	–	28
Total non-current liabilities	**356**	**(220)**	**136**
Total liabilities	**1,216**	**(220)**	**996**
Net assets	**352**	**436**	**788**
Equity			
Contributed equity	–	1,265	1,265
Reserves	(1)	(707)	(708)
Retained earnings	151	80	231
Equity attributable to holder of parent	150	638	788
Minority interest	202	(202)	–
Total equity(3)	**352**	**436**	**788**

Notes:

(1) **Restricted cash**: Security of $300 million provided to lenders to the Bank Guarantee Facility (refer to Sections 7.10 and 11.4.4 for further details) and $20 million held pending resolution of the Blacktown Shopping Centre Litigation (refer to Section 11.4.3 for further details). This cash is unavailable for use by Valemus in the ordinary course of its business and accordingly is presented within non-current assets as restricted cash.

(2) **Intangible assets**: As at 31 December 2009, Valemus' intangible assets primarily consisted of the goodwill amount of $292 million relating to prior acquisitions. The remainder consists of intangible assets relating to long-term Services-related contracts which are being amortised over the life of the underlying contracts.

(3) **Capitalisation**: As at 31 December 2009, total capitalisation (total equity plus long-term indebtedness) was $653 million on a statutory basis and $869 million on a pro forma basis.

7.5 PRO FORMA HISTORICAL AND PRO FORMA FORECAST CONSOLIDATED STATEMENTS OF CASH FLOW

Set out in the Table 7.5 is a summary of Valemus' pro forma historical consolidated statements of cash flow for CY2007, CY2008 and CY2009, and the pro forma forecast consolidated statement of cash flow for CY2010. The pro forma historical consolidated statements of cash flow have been presented before investing and financing activities due to the different capital and debt structure that will be in place following the Offer.

Table 7.5 – Pro forma historical consolidated statements of cash flow for CY2007, CY2008 and CY2009, and pro forma forecast consolidated statement of cash flow for CY2010

Year to 31 December ($ million)	Pro forma historical			Pro forma forecast
	CY2007	CY2008	CY2009	CY2010
EBITDA	169	239	203	220
Change in working capital[1]	(63)	103	(150)	24
Other[2]	(3)	(1)	(2)	–
Operating cash flow before interest and tax payments	**103**	**341**	**51**	**244**
Capital expenditure[3]	(65)	(86)	(47)	(89)
Proceeds from sale of fixed assets	8	3	2	–
Operating cash flow after capital expenditure	**46**	**258**	**6**	**155**
Net interest received/(paid) (including Guarantee Facilities costs)				(17)
Income tax paid[4]				(79)
Net operating cash flow after capital expenditure				**59**
Dividends paid[5]				–
Available cash flow for investing and financing activities				**59**

Notes:

(1) Change in working capital includes a pro forma adjustment to reduce working capital by $12 million and $10 million in respect of the Blacktown Shopping Centre Litigation in CY2007 and CY2008, respectively (refer to Section 11.4.3 for further details).

(2) Other includes profit or loss on disposal of fixed assets, as well as current asset and current liability movements which impacted reserves.

(3) In the above table, the cash outflow for capital expenditure has been presented on a gross basis. This capital expenditure has been funded by a combination of operating cash flow and finance leases. The net financing inflow relating to the finance leases in the historic period (not shown in the above table) includes funds received from borrowings relating to new finance leases less the capital portion of lease payments. In CY2007, CY2008 and CY2009 respectively, the net financing inflows relating to capital expenditure (not shown in the above table) were $25 million, $23 million and $6 million. In CY2010, the net financing inflows relating to capital expenditure are assumed to be $38 million (not shown in the above table).

(4) In CY2010, Valemus Limited has moved to tax instalment payments from annual payments. As a result, forecast income tax paid in CY2010 includes both payment of CY2010 tax instalments, as well as tax payable for CY2009.

(5) The first dividend the Directors expect to declare will be a dividend for the six months ending 31 December 2010 of $25 million, which is expected to be paid in March 2011, subject to the considerations referred to in Section 7.14.

7.6 MANAGEMENT'S DISCUSSION AND ANALYSIS OF HISTORICAL FINANCIAL INFORMATION

Management's discussion and analysis below relates to the Historical Financial Information for Valemus for CY2007, CY2008 and CY2009 (refer to Tables 7.6 and 7.7) and addresses the key factors which affected Valemus' operating and financial performance in those years and the key factors which Valemus expects may continue to affect operating and financial performance during the Forecast Period. This discussion together with the discussion of general factors affecting the operating results of Valemus should be read in conjunction with the description of the basis upon which the Financial Information has been prepared (refer to Section 7.2), and the pro forma adjustments described in Section 7.9. Refer to Section 5 for a description of the business and its drivers.

7.6.1 General factors affecting the operating results of Valemus

The general factors described below are a summary only and do not represent everything that affected Valemus' historical operating and financial performance, nor everything that is expected to affect its operating and financial performance in future periods. The information in this Section should also be read in conjunction with the risk factors set out in Section 10 and other information contained in this Prospectus.

Volume of work

Weak economic conditions during the second half of CY2008 and throughout CY2009 resulted in the postponement of construction and Services industry projects during this period. This impacted the timing of work awarded and resulted in reduced revenue in some regions. However, tendering activity in the construction and Services industries has improved since mid CY2009, driven by increased public sector expenditure on infrastructure, continued activity in the mining, and oil and gas sectors and Australia's positive GDP growth.

Overheads
Valemus continued to invest in its organisation during CY2007, CY2008 and CY2009, which included establishing operating capacity in target regions and sectors. Additional investment, primarily relating to increased headcount, has also been made in Valemus' administration function in the areas of safety, human resources, risk management, marketing and information technology in order to increase the sophistication of Valemus' business processes and procedures.

While these investments resulted in increased overheads, the increased expenditure was incurred to continue to effectively manage existing operations and to position Valemus to execute identified growth opportunities.

Net tender costs
Tender costs for major infrastructure projects can represent a significant investment in time and resources. All tender costs are expensed as incurred and classified as overhead costs. In some circumstances, these costs may be recovered if the project is awarded to a Valemus Business. Any such recovery is recognised in the year of award. Depending on the number of major project bids and the timing of recoveries against awarded projects, significant fluctuations in net tender costs can occur year-on-year and impact Valemus' financial performance accordingly.

Profit recognition
Profit recognition on construction contracts is deferred during the initial stages of construction. Valemus has established a policy which recognises profit only after the construction contract has reached 20% completion (based on costs incurred as a percentage of forecast final costs). This is distinguished from the reporting of revenue which is recognised from the commencement of the project. Until a project reaches the 20% completion level, revenue will be reported but no profit will be recognised with respect to that project. This difference in timing between the recognition of revenue and profit on individual projects can impact the EBIT margins in any given reporting period.

Changes to projects' profitability assumptions
Valemus' financial performance depends on the award and execution of construction contracts. The recognition of profit on these contracts requires an estimate of the total contract revenue and the total contract costs and judgement as to the stage of completion at particular points in time. As these projects are often completed over a number of financial periods, the reported annual results of Valemus contain a number of assumptions regarding future events. When assumptions regarding the project forecast are revised, adjustments are made in that financial period to adjust the project result recognised in previous periods, to the extent required. This can have a positive or negative impact on profitability in the financial year the project forecast is revised. In addition, the recognition of performance incentives on contracts, which are only recognised when they become reasonably certain, further impacts the timing of Valemus' financial performance over the life of the contracts.

7.6.2 Pro forma historical consolidated income statement: CY2008 compared to CY2007

Table 7.6 – Pro forma historical consolidated income statements for CY2007 and CY2008

Year to 31 December ($ million)	Pro forma historical		
	CY2007	CY2008	Change
Gross revenue[1]	**3,517**	**4,281**	**21.8%**
Abigroup	1,966	1,980	0.7%
Baulderstone	1,140	1,639	43.8%
Conneq	411	662	61.0%
Gross expenses[1]	(3,348)	(4,042)	20.7%
EBITDA	**169**	**239**	**41.9%**
EBITDA margin (% of gross revenue)	*4.8%*	*5.6%*	*0.8%[2]*
Depreciation and amortisation	(26)	(37)	45.1%
EBIT	**143**	**202**	**41.3%**
Abigroup	84	101	20.9%
Baulderstone	54	86	58.6%
Conneq	22	39	73.4%
Holding companies	(17)	(24)	36.8%
EBIT margin (% of gross revenue)	*4.1%*	*4.7%*	*0.6%[2]*
Abigroup	*4.3%*	*5.2%*	*0.9%[2]*
Baulderstone	*4.7%*	*5.2%*	*0.5%[2]*
Conneq	*5.4%*	*5.8%*	*0.4%[2]*

Notes:
(1) Valemus equity accounts for its construction joint ventures in its statutory accounts (meaning that only the net amount, being revenue minus expenses, from these joint ventures is included in those statutory accounts). However, in this table, gross revenue and gross expenses include Valemus' revenue and expenses from all business activities including its share of revenue and expenses recognised by its construction joint ventures. This reflects the level of operations being undertaken by Valemus both through its wholly owned businesses and its construction joint ventures. Whilst this is a different treatment to that under Australian Accounting Standards, the disclosure in the pro forma financial information presented is consistent with the information used by Directors to review and manage the financial results of Valemus and its construction joint ventures.
(2) Absolute change in percentage.

Valemus

Gross revenue

Valemus' gross revenue increased by 22% in CY2008 to $4,281 million from $3,517 million in CY2007. The strong growth in gross revenue was based on contributions from each of the Valemus Businesses but in particular the performance of Baulderstone.

Baulderstone benefited from a corporate restructure that resulted in a more focused, state based management approach in addition to the award of a number of major projects in CY2007 and CY2008 for which revenue was recognised in CY2008.

Conneq also experienced significant growth in CY2008 resulting from the acquisitions of CEM and i.Power, as well as organic growth arising from the award of a number of major power and industrial projects.

Abigroup's growth moderated in CY2008 as the weakening economic conditions led to a reduction in building activity in Queensland. However, increased activity in the southern and western states and work on major engineering construction projects offset the decline in building activity in Queensland for Abigroup.

EBIT

Valemus' EBIT increased by 41% in CY2008 to $202 million from $143 million in CY2007. EBIT margin improved from 4.1% in CY2007 to 4.7% in CY2008. Strong EBIT growth was reported across each of the Valemus Businesses.

Baulderstone benefited from the business mix shift to typically higher margin engineering construction projects.

Notwithstanding flat revenue growth within Abigroup, the recognition of performance incentives on contracts coupled with strong returns from major projects contributed to improved EBIT margins across Abigroup in CY2008.

Conneq also reported an improved EBIT margin as it successfully integrated the acquisitions undertaken in CY2008 and derived strong profitability from its organic growth. Improved operating leverage with growth in gross revenue exceeding the increased overhead costs contributed to Conneq's improved EBIT, positively impacting Valemus' returns.

Depreciation and amortisation

Valemus' depreciation and amortisation increased by 45% in CY2008 to $37 million from $26 million in CY2007. This increase was primarily driven by increases in capital expenditure in CY2007 and CY2008 above the CY2005 and CY2006 levels. This increase in capital expenditure included office fit-outs, set up of a precast yard facility in New South Wales and establishment of operations in Western Australia. Depreciation and amortisation in CY2008 also included an increase in amortisation charges relating to long-term contracts acquired by Conneq of approximately $2 million.

Abigroup

Gross revenue

Abigroup's gross revenue increased by 1% in CY2008 to $1,980 million from $1,966 million in CY2007. Gross revenue, following successive years of strong growth (increasing from less than $820 million in CY2003), remained relatively static in CY2008 due to the completion of a number of major projects and weakening economic conditions. In CY2008, work in the Northern Region (comprising Queensland and the Northern Territory) and Central Region (comprising New South Wales and the Australian Capital Territory) divisions accounted for 70% of Abigroup's gross revenue (down from 74% in CY2007).

The construction of the Gateway Upgrade project in Queensland by the Major Projects division contributed a further 12% to gross revenue in CY2008 (up from 10% in CY2007). The remaining work was concentrated in the Southern Region (comprising Victoria and South Australia) division which represented 16% of Abigroup's gross revenue in CY2008, with projects undertaken in both Victoria and South Australia. National operations accounted for 2% of gross revenue in CY2008.

Gross revenue contributed from the Northern Region division declined in CY2008 by 10% due to the completion of a number of major building projects and weakening economic conditions which resulted in a decline in building revenue in the region. The impact of this decline in the Northern Region division was more than offset by increases in revenue in the Central Region, Southern Region and Major Projects divisions, and the operations in the Western Region division which contributed gross revenue for the first time in CY2008. The growth in gross revenue for these divisions was predominantly generated from engineering construction projects.

EBIT

Notwithstanding relatively flat revenue growth, Abigroup's EBIT increased by 21% in CY2008 to $101 million from $84 million in CY2007, with EBIT margin increasing from 4.3% in CY2007 to 5.2% in CY2008.

The improvement in EBIT was primarily driven by a 49% increase in EBIT in the Northern Region division due to the recognition of performance incentives on contracts and the completion of a number of building projects. The division also benefited from projects which commenced in CY2007 reaching the 20% completion threshold in CY2008, facilitating profit recognition in CY2008.

The Central Region division's improved EBIT was driven by strong returns from a number of engineering construction road projects.

These strong returns in the Northern Region and Central Region divisions were partially offset by a financial loss in the Southern Region division from a small number of engineering construction and building projects. Factors contributing to this loss were inclement weather conditions, a mechanical engineering issue, and management of the shift from a predominantly private sector building customer base to a public sector building customer base.

Baulderstone

Gross revenue

Baulderstone's gross revenue increased by 44% in CY2008 to $1,639 million from $1,140 million in CY2007. The business benefited from the appointment of a new Managing Director and other key members of senior management at the end of CY2005 and through to CY2007, as well as the corporate reorganisation that resulted in a state based management approach. The new business structure resulted in an increased focus on improved accountability, risk management processes and diversification of Baulderstone's operations to a more even mix between engineering construction and building activities. Engineering construction projects accounted for 41% of total gross revenue in CY2008 compared to 30% in CY2007.

Baulderstone's CY2008 gross revenue was primarily generated from regional divisions in the Eastern States, with the Queensland division contributing 27% (down from 34% in CY2007), the New South Wales division (comprising operations in New South Wales and Australian Capital Territory) contributing 26% (up from 19% in CY2007) and the Victorian division contributing 23% (in line with CY2007). Projects undertaken in the National Specialist Services division contributed a further 16% (up from 13% in CY2007) and included work in Queensland, New South Wales and Vietnam. The remaining work was undertaken by the South Australian division.

In CY2008, gross revenue increased across all divisions, with the New South Wales and National Specialist Services divisions being the major contributors to this growth, achieving gross revenue growth of 93% and 80%, respectively. A number of building projects under construction, together with the commencement of the Port Botany Expansion project in the New South Wales division and ongoing work on major projects such as the CLEM7 Tunnel in Queensland and the Phu My Bridge in Vietnam, underpinned the performance of these divisions.

The Victorian, Queensland and South Australian divisions also performed strongly in CY2008 and contributed to Baulderstone's gross revenue growth between CY2007 and CY2008. In particular, the Victorian division's gross revenue increased by 43% driven by the upgrade of the Westgate Freeway and the construction of two power plants undertaken in joint venture with Conneq. The Queensland division's gross revenue increased by 16% where the construction of a waste water treatment plant offset the reduced gross revenue from building projects due to the weakening economic conditions in the state.

While the South Australian division remained Baulderstone's smallest division, gross revenue grew by 14% in CY2008 supported by start up revenue from a number of major building projects awarded in CY2008, which included work for the Federal Department of Defence.

EBIT

Baulderstone's EBIT increased by 59% in CY2008 to $86 million from $54 million in CY2007, with EBIT margin increasing from 4.7% in CY2007 to 5.2% in CY2008. The EBIT margin growth was primarily driven by the improvement in gross revenue in the New South Wales, National Specialist Services and Queensland divisions, which resulted in EBIT improvement of 192%, 94% and 81%, respectively.

All divisions benefited from greater overhead costs recovery due to increased gross revenue, recovery of tender costs, and the higher contribution from engineering construction projects. A strong portfolio of existing building projects was also a key driver of the Queensland division's EBIT improvement despite the decline in new building projects. In the Victorian division, write downs on a small number of building projects offset efficiency gains and resulted in a marginal decline in EBIT margin for this division.

Baulderstone's strategy to build its South Australian division, by undertaking major project bids and establishing operational capacity for engineering construction, resulted in a 64% decline in EBIT in CY2008 due to the investment required to build on platforms for growth. Due to the relatively small size of this division, this decline did not significantly impact Baulderstone's CY2008 earnings.

Conneq

Gross revenue

Conneq's gross revenue increased by 61% in CY2008 to $662 million from $411 million in CY2007, driven by a combination of organic growth ($113 million) and acquisitions of CEM and i.Power ($138 million).

The Infrastructure Services division, accounting for 48% of CY2008 gross revenue, remained the largest division although its contribution to gross revenue decreased from 74% in CY2007. This reduction in contribution is reflective of the increased diversification of Conneq's gross revenue base as growth in the Engineering Services and Power Services divisions increased their respective contributions to 24% and 28% in CY2008 from 11% and 15%, respectively in CY2007.

Organic growth was primarily generated in the Engineering Services division where gross revenue increased by $116 million or 46% of CY2008 gross revenue growth due to the commencement of a number of major power and industrial projects during the year, including three gas-fired power station projects (Uranquinty Power Station in New South Wales, Braemar 2 Power Station in Queensland and Neerabup Power Station in Western Australia) and the completion of a fuel terminal project for Vopak.

The part year impacts of the acquisitions of CEM by Conneq's Infrastructure Services division in January 2008 and i.Power by Conneq's Power Services division in February 2008 contributed to the gross revenue growth ($138 million or 55% of CY2008 gross revenue growth).

Outside of the Engineering Services division, organic growth was flat, with increases in the Power Services division offset by the modest declines in the comparatively larger Infrastructure Services division.

EBIT

Conneq's EBIT increased by 73% in CY2008 to $39 million from $22 million in CY2007 and its EBIT margin increased to 5.8% in CY2008 from 5.4% in CY2007. In line with revenue growth, EBIT growth was driven by the acquisitions of CEM and i.Power and the profit from major power and industrial projects undertaken by the Engineering Services division.

The increased EBIT margin was due to improved operating leverage as the growth in gross revenue of 61% outstripped an increase in overheads of only 16%. This is notwithstanding the cost of increased resources in the Engineering Services division to manage the additional workload and competitive pressure on gas network projects in the Infrastructure Services division.

7.6.3 Pro forma historical consolidated income statement: CY2009 compared to CY2008

Table 7.7 – Pro forma historical consolidated income statements for CY2008 and CY2009

Year to 31 December ($ million)	Pro forma historical		
	CY2008	CY2009	Change
Gross revenue[1]	**4,281**	**4,766**	**11.3%**
Abigroup	1,980	1,982	0.1%
Baulderstone	1,639	2,041	24.6%
Conneq	662	743	12.2%
Gross expenses[1]	(4,042)	(4,563)	12.9%
EBITDA	**239**	**203**	**(15.1%)**
EBITDA margin (% of gross revenue)	*5.6%*	*4.3%*	*(1.3%)[2]*
Depreciation and amortisation	(37)	(40)	9.5%
EBIT	**202**	**163**	**(19.5%)**
Abigroup	101	77	(24.3%)
Baulderstone	86	73	(14.1%)
Conneq	39	38	(2.6%)
Holding companies	(24)	(25)	6.9%
EBIT margin (% of gross revenue)	*4.7%*	*3.4%*	*(1.3%)[2]*
Abigroup	*5.2%*	*3.9%*	*(1.3%)[2]*
Baulderstone	*5.2%*	*3.6%*	*(1.6%)[2]*
Conneq	*5.8%*	*5.1%*	*(0.7%)[2]*

Notes:

(1) Valemus equity accounts for its construction joint ventures in its statutory accounts (meaning that only the net amount, being revenue minus expenses, from these joint ventures is included in those statutory accounts). However, in this table, gross revenue and gross expenses include Valemus' revenue and expenses from all business activities including its share of revenue and expenses recognised by its construction joint ventures. This reflects the level of operations being undertaken by Valemus both through its wholly owned businesses and its construction joint ventures. Whilst this is a different treatment to that under Australian Accounting Standards, the disclosure in the pro forma financial information presented is consistent with the information used by Directors to review and manage the financial results of Valemus and its construction joint ventures.

(2) Absolute change in percentage.

Valemus

Gross revenue

Valemus' gross revenue increased by 11% in CY2009 to $4,766 million from $4,281 million, primarily driven by the performance of Baulderstone which experienced strong growth in both its engineering construction and building businesses.

Conneq also experienced strong revenue growth driven by ongoing work on major power and industrial projects.

Abigroup contributed flat revenue growth in CY2009 with its largest division, the Northern Region division, experiencing a decline in gross revenue as a number of large projects were completed. However, this decline was offset by additional gross revenue generated from the continued diversification of Abigroup's operations.

EBIT

Valemus' EBIT declined by 20% in CY2009 to $163 million from $202 million in CY2008 and EBIT margin also declined from 4.7% in CY2008 to 3.4% in CY2009. This decrease followed a strong result by Valemus in CY2008 which was above the CY2007 to CY2009 average. The CY2009 earnings were negatively impacted by the reforecast of the final margin on a major project in each of the Valemus Businesses, which resulted in the partial reversal of profit previously recognised in CY2007 and CY2008.

Depreciation and amortisation

Valemus' depreciation and amortisation increased by 9.5% in CY2009 to $40 million from $37 million in CY2008. This increase was due to capital expenditure increases in both CY2007 and CY2008, resulting in a higher depreciation charge in CY2009.

Abigroup

Gross revenue

Abigroup's gross revenue increased by 0.1% in CY2009 to $1,982 million from $1,980 million in CY2008. In CY2009, work in the Northern Region and Central Region divisions accounted for 63% of Abigroup's gross revenue. Ongoing work on the Gateway Upgrade project in Queensland and the commencement of the Adelaide Desalination Plant project in South Australia increased the contribution of the Major Projects division to 13% of CY2009 gross revenue (from 12% in CY2008). The Southern Region division's contribution to gross revenue remained consistent with CY2008 levels at 16% of CY2009 gross revenue, while a further 8% of gross revenue was generated from the Western Region division and the national divisions (Water, Mining Services and Telecommunications).

During the year, the Northern Region division's gross revenue decreased by 19% as a number of large projects were completed and new projects were postponed as a result of the recent economic downturn. However, this decline was offset by additional revenue generated from the continued diversification of Abigroup's operations, including:

- a 62% increase in the Western Region division's gross revenue albeit from a low base;
- the Mining Services and Water divisions' first year of gross revenue contribution; and
- a 13% increase in the Major Projects division's gross revenue due to the commencement of the Adelaide Desalination Plant project.

CY2009 gross revenue was maintained at levels consistent with CY2008 in the Central Region and Southern Region divisions, which benefited from projects attributable to government stimulus spending through the Building the Education Revolution, as well as work on the Victorian Schools PPP. These projects offset the reductions in reduced private sector building activity in these regions and the completion of engineering construction projects in the Southern Region division.

EBIT

Abigroup's EBIT decreased by 24% in CY2009 to $77 million from $101 million in FY2008 and EBIT margin declined from 5.2% in CY2008 to 3.9% in CY2009. This reduction followed a strong EBIT performance in CY2008 which benefited from a number of positive factors, generating an EBIT which was higher than the CY2007 to CY2009 average.

The Northern Region division remained a major contributor to Abigroup's CY2009 earnings although EBIT decreased by 42% following a strong performance in CY2008 (where EBIT increased by 49% over CY2007). This was due to a reduction in revenue from a number of engineering construction projects and margins on building projects reverting to historical averages.

CY2009 EBIT was also negatively impacted by a downwards recalculation of the forecast margin on a major engineering construction project which resulted in the partial reversal of profit previously recognised in CY2007 and CY2008.

Offsetting these impacts was a much improved EBIT result for the Southern Region division. While still reporting a small loss due to a write down on a building project, the improvement was led by the recognition of performance incentives and an overall improvement in the results of engineering construction contracts.

The Central Region division also reported a significant increase in EBIT in CY2009. This increase was driven by the completion and recognition of performance incentives on a number of engineering construction contracts that more than offset the effect of Building the Education Revolution project not reaching the 20% completion threshold for profit recognition which reduced the overall return on building projects for that division during the period.

Continued investment in new operating divisions in CY2009 further reduced EBIT.

Baulderstone

Gross revenue

Baulderstone's gross revenue increased by 25% in CY2009 to $2,041 million from $1,639 million, driven by strong growth in both building and engineering construction projects. In CY2009, Baulderstone's gross revenue was generated across all of its operating divisions, with the exception of the recently established Western Australian division. The New South Wales (26% of CY2009 gross revenue) and Victorian (23% of CY2009 gross revenue) divisions retained their CY2008 contribution to gross revenue, while growth in the South Australian division increased its CY2009 gross revenue contribution to 17%. Flat growth in the Queensland division and a reduction in the National Specialist Services division resulted in a lower contribution to gross revenue from these divisions in CY2009.

Gross revenue in the South Australian division increased by 197% in CY2009, resulting in this division becoming a major contributor to CY2009 gross revenue. This increase was driven by the construction of the Hardened and Networked Army 1 defence facility project for the Federal Department of Defence and the Rail Car Depot Relocation, a major engineering construction project.

Gross revenue in the New South Wales and Victorian divisions increased by 25% and 24%, respectively. In the New South Wales division, continued work on the Port Botany Expansion project and a number of smaller engineering construction projects offset a decline in building activity as a number of projects reached completion. In the Victorian division, growth was driven by major projects including the Crown Metropol Hotel, the Westgate Alliance and the Water Resources Alliance.

Gross revenue in the Queensland division remained flat with the completion of a number of engineering construction projects being offset by building work at the Gatton Correctional Precinct project and the commencement of the Robina Hospital Expansion project.

Gross revenue in the National Specialist Services division decreased by 10% due to the successful completion of the Phu My Bridge in Vietnam in CY2009 and reduced revenue from the CLEM7 Tunnel project as major tunnelling activity was completed.

EBIT

Notwithstanding strong gross revenue growth in CY2009, Baulderstone's EBIT decreased by 14% in CY2009 to $73 million from $86 million in CY2008 and EBIT margin declined from 5.2% in CY2008 to 3.6% in CY2009. This decline was primarily driven by the revision of the final forecast margin on a major engineering construction project during CY2009. While the project generated a positive return overall, the revision of the margin resulted in a partial reversal of profit previously recognised in CY2007 and CY2008. The impact of this revision was only partially offset by the significantly increased contribution from the South Australia division.

EBIT contributions from the New South Wales and Victorian divisions increased by 64% and 24%, respectively. Growth in the New South Wales division was driven by a combination of revenue growth from the typically higher margin engineering construction projects and strong completion results on a number of building projects.

Conneq

Gross revenue

Conneq's gross revenue increased by 12% in CY2009 to $743 million from $662 million in CY2008, primarily driven by continued organic growth in the Engineering Services division which grew gross revenue by 31% in CY2009, together with the full year contribution effect of the CEM and i.Power acquisitions completed in CY2008.

In CY2009, 42% of gross revenue was generated from the Infrastructure Services division with both the Engineering Services and Power Services divisions increasing their overall contributions to 28% and 30%, respectively.

The organic growth experienced by the Engineering Services division resulted from the continuation and completion of the Braemar 2 and Neerabup power station projects, the completion of a second fuel terminal project for Vopak, and the commencement of the Mortlake Power Station project.

Gross revenue in the Power Services division increased by 19% in CY2009, driven by the full year contribution of i.Power and increased activity in the power and telecommunications sectors due to the award of a number of key contracts during the year.

There was a marginal decrease in gross revenue in the Infrastructure Services division of 1.2% in CY2009. Strong growth in Western Australia and Queensland, which included mining-related work in the Pilbara region, was offset by a reduced volume of work in the Latrobe Valley and Melbourne due to the completion of a major contract and continuing declines in activity in gas and water network contracts due to ongoing competitive pressures.

EBIT

Conneq's EBIT decreased by 3% in CY2009 to $38 million from $39 million in CY2008 and EBIT margin declined from 5.8% in CY2008 to 5.1% in CY2009. Notwithstanding strong gross revenue growth, Conneq's CY2009 earnings were impacted by a loss on an industrial project in the Engineering Services division.

This was offset in part by a 12% increase in EBIT in the Power Services division, driven by growth in gross revenue and continued focus on cost saving initiatives. This increase was reported despite an investment in start up contracts, including a long-term maintenance contract with Optus, and increased overheads in the Transmission, Distribution and Telecommunications business units as Conneq positioned itself for future growth in these areas. EBIT in the Infrastructure Services division decreased by 7% impacted by specific site issues in industrial and maintenance activities.

7.6.4 Pro forma consolidated statements of operating cash flow after capital expenditure

Table 7.8 – Pro forma historical consolidated statements of operating cash flow after capital expenditure for CY2007, CY2008 and CY2009, and pro forma forecast consolidated statement of operating cash flow after capital expenditure for CY2010

Year to 31 December ($ million)	Pro forma historical			Pro forma forecast
Operating cash flow after capital expenditure	**CY2007**	**CY2008**	**CY2009**	**CY2010**
EBITDA	169	239	203	220
Change in working capital[1]	(63)	103	(150)	24
Other[2]	(3)	(1)	(2)	–
Operating cash flow before interest and tax payments	**103**	**341**	**51**	**244**
Capital expenditure[3]	(65)	(86)	(47)	(89)
Proceeds from sale of fixed assets	8	3	2	–
Operating cash flow after capital expenditure	**46**	**258**	**6**	**155**

Notes:

(1) Change in working capital includes a pro forma adjustment to reduce working capital by $12 million and $10 million in respect of the Blacktown Shopping Centre Litigation in CY2007 and CY2008, respectively (refer to Section 11.4.3 for further details).

(2) Other includes profit or loss on disposal of fixed assets, as well as current asset and current liability movements which impacted reserves.

(3) In the above table, the cash outflow for capital expenditure has been presented on a gross basis. This capital expenditure has been funded by a combination of operating cash flow and financing cash flow. The net financing inflow in the historic period includes funds received from borrowings relating to new finance leases less the capital portion of lease payments. In CY2007, CY2008 and CY2009 respectively, the net financing inflows relating to capital expenditure (not shown in the above table) were $25 million, $23 million and $6 million. In CY2010, the net financing inflows relating to capital expenditure are assumed to be $38 million (not shown in the above table).

Change in working capital

Valemus' working capital comprises trade and other receivables, inventories, construction work in progress and progress payments in advance, trade and other payables, accruals and employee related provisions.

Valemus is funded by negative working capital due to progress billings in advance and the conversion of receivables into cash generally in a shorter period than the payment of trade payables.

The volatility in the annual net working capital movements has been primarily driven by the timing of payments to trade creditors and subcontractors (this has also been impacted by the timing of year end payments), movement in progress claims in advance resulting from changes in the contract mix of awarded work, and profit recognised from joint ventures in advance of profit distribution.

Working capital levels can vary month-on-month with the intra-month working capital requirements higher than month end balances, as payments are typically made throughout the month and cash receipts are received towards the end of the month.

CY2007 was impacted by undistributed joint venture profit which increased the investment in the relevant projects by $55 million. Trade payables and accruals accounted for the remaining movement in working capital position, offset in part by increasing net progress payments in advance.

In CY2008, the working capital position improved significantly as the increase in receivables of $66 million due to revenue growth was more than offset by increases in trade payables and accruals of $101 million. Positive cash flow was also generated from an increase in net progress payments in advance of $44 million due to projects in Baulderstone. Joint venture distributions which reduced the respective investment of $16 million and movement on provisions of $12 million accounted for the remainder of the change in working capital position.

CY2009 was adversely impacted by Conneq's completion of several major engineering projects and a reduction in Work in Hand for Baulderstone which combined to account for a negative outflow on net progress claims in advance of $114 million. Payments to subcontractors and suppliers also resulted in a negative outflow of $70 million due to the timing of year end payments and a partial correction of the CY2008 positive impact from trade payables and accruals. Joint venture distributions in excess of profit recognised of $34 million were once again a positive contributor.

Capital expenditure

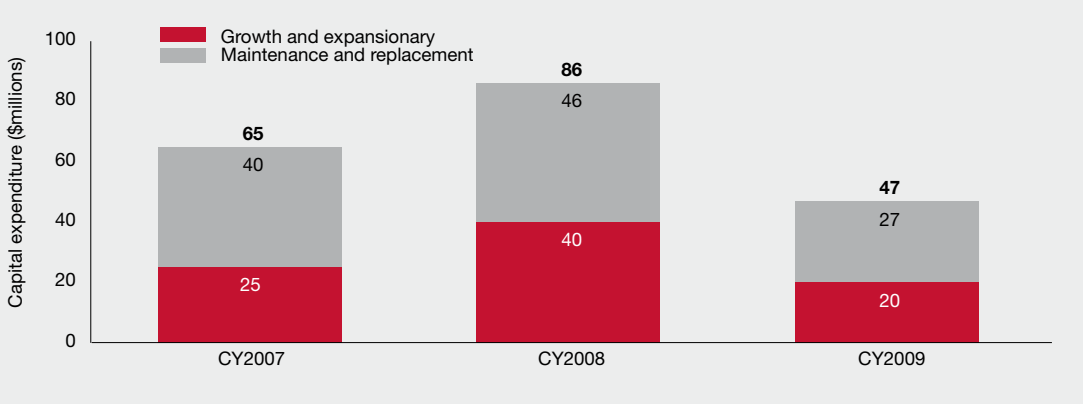
Capital expenditure in CY2007 and CY2008 was $65 million and $86 million, respectively, primarily relating to the overhaul and replacement of major equipment, the establishment of a presence in Western Australia, office fit-outs and establishment of a precast yard facility.

Capital expenditure in CY2009 was significantly lower at $47 million, due to internal expenditure constraints put in place during the recent economic downturn. However, necessary maintenance and replacement capital expenditure was undertaken in CY2009 and the delay in capital expenditure did not have a significant impact on operations.

Capital expenditure is funded by a combination of operating cash flow and finance leases. In CY2009, 60% of capital expenditure was financed via leasing arrangements.

Figure 7.2 provides a summary of the total capital expenditure, with an estimated allocation between growth and expansionary, and maintenance and replacement capital expenditure, for the CY2007 to CY2009 period. In accordance with applicable accounting standards, the overhaul of major equipment is capitalised and included as a fixed asset.

Figure 7.2 – Valemus' capital expenditure between CY2007 and CY2009



Sources of liquidity

The principal sources of funds are cash flow from operations and negative working capital as outlined above. Valemus had an unrestricted pro forma cash position of $275 million as at 31 December 2009 (refer to Table 7.4).

The Directors expect that Valemus will have sufficient cash flow from operations to meet its operational requirements and business needs during the Forecast Period. The Directors expect that these sources of cash, together with the three year Bank Guarantee Facility, will position Valemus to compete effectively for and deliver selected large scale projects.

Valemus' foreign currency exposure relates to project specific issues which are hedged on an individual basis as appropriate. Excess liquidity is invested in liquid deposits and Valemus has not undertaken any hedging relating to interest rate movements on these deposits. Excess cash is pooled daily by Valemus to ensure that the return on excess cash is maximised.

7.7 BEST ESTIMATE ASSUMPTIONS UNDERLYING THE FORECAST FINANCIAL INFORMATION

The Forecast Financial Information is based on various best estimate assumptions, including those set out below, which should be read in conjunction with the Investigating Accountant's Report on Forecast Financial Information in Section 8 and the risk factors set out in Section 10.

7.7.1 Key assumptions

Consolidated income statement

Gross revenue

Valemus' gross revenue is forecast to decline by 3% in CY2010 to $4,600 million from $4,766 million in CY2009. This reflects a forecast increase in Abigroup's gross revenue which is expected to be offset by forecast declines in Baulderstone and Conneq's gross revenue.

The key assumptions underlying the gross revenue forecast for CY2010 are set out in Table 7.9.

Table 7.9 – Key assumptions underlying the gross revenue forecast for CY2010

Assumption	Description	Contribution to forecast CY2010 gross revenue
Value of Secured Work to be performed	The value of Secured Work to be performed in CY2010 has been prepared on a project-by-project basis. This project level analysis includes project level assumptions on the execution of the works and is based on actual progress against key contract milestones.	The value of Secured Work as at 31 March 2010 which it is assumed will be performed in CY2010 is $3,869 million and represents 84% of the CY2010 gross revenue forecast.
Value of Pending Contracts(1) to be performed	The value of Pending Contracts to be performed in CY2010 has been prepared on a project-by-project basis. This project level analysis includes project level assumptions on the timing and execution of the works.	The level of Pending Contracts as at 31 March 2010 which it is assumed will be performed in CY2010 is $275 million and represents 6% of the CY2010 gross revenue forecast.
Value of new work to be awarded and performed	The value of new work to be awarded and performed includes management's estimate of the likely size and timing of potential projects with an appropriate weighting for the probability of successful tendering. The level of recurring Services work is determined from historical run rates and management's estimate of the demand for the various types of Services (such as shutdown maintenance) and the type of contract under which the work is performed.	The level of new work to be awarded and performed (including the level of recurring Services work) is assumed to be $456 million and represents 10% of the CY2010 gross revenue forecast.

Note:
(1) Pending Contracts are an estimation of the total value of contracts in respect of which Valemus has been identified as the 'preferred' bidder, and where the contract terms have not been finalised or the final contract value has not been agreed (for example, alliance contracts).

The level of Work in Hand for Valemus at 31 March 2010 was $5.7 billion, with a further $1.9 billion of Pending Contracts. The value of the Work in Hand and Pending Contracts which are expected to be performed in CY2010 is shown by reporting segment in Table 7.10.

Table 7.10 – Valemus' Work in Hand and Pending Contracts by business

As at 31 March 2010 ($ million)	Abigroup	Baulderstone	Conneq	Valemus
Work in Hand	3,213	1,956	555	5,724
Pending Contracts	1,577	340	–	1,917
Total	**4,790**	**2,296**	**555**	**7,641**
Expected contribution to pro forma forecast CY2010 gross revenue				
Work performed between 1 January 2010 and 31 March 2010				1,045
Work in Hand	1,396	1,099	329	2,824
Secured Work				**3,869**
Pending Contracts	210	65	–	275
Total				**4,144**
% of pro forma forecast CY2010 gross revenue expected to be generated from Secured Work and Pending Contracts				**90%**

The recent award of a number of engineering construction contracts, including the Peninsula Link Freeway project, has offset the reduction in building Work in Hand, with total Work in Hand increasing from $5.4 billion at 1 January 2010 to $5.7 billion at 31 March 2010. Based on current Secured Work, major contributors to CY2010 gross revenue are assumed to include the ongoing work on the Ipswich Motorway project, Gateway Upgrade project, the Adelaide Desalination Plant project, the Port Botany Expansion project, the Victorian Schools PPP and the Building the Education Revolution projects and the Federal Department of Defence projects in South Australia.

Valemus is also forecasting gross revenue growth in Western Australia following recent investment in the state by Valemus and the continued expected growth in the mining, and oil and gas sectors (refer to Section 4.1.4). Valemus' national focus on the telecommunications and water sectors is also expected to contribute to gross revenue in CY2010.

The forecast decline in Services gross revenue is expected due to reduced levels of work following the completion of a number of major projects in CY2009 and a diminished pipeline of new major projects in CY2010 due to the recent economic downturn. However, it is expected that this reduction will be partially offset by increased activity in the power and telecommunications sectors driven by the full year impact of Conneq's Optus, EnergyAustralia and Powercor contracts, which were awarded in late CY2009. Growth in the industrial, mining, and oil and gas sectors is expected to continue in Western Australia during CY2010, offsetting expected declines in these sectors in Victoria.

EBIT

Valemus' EBIT is forecast to increase by 9.5% in CY2010 to $178 million from $163 million in CY2009. This is expected to result in Valemus' EBIT margin increasing from 3.4% in CY2009 to 3.9% in CY2010.

The impact of the decline in forecast gross revenue in CY2010 from the CY2009 level is expected to be offset by average EBIT margins increasing to historical levels (although building margins are expected to remain depressed due to the subdued commercial and industrial building sector, as well as competitive pressures).

The recent investment by Valemus in Western Australia and the mining, water and telecommunications divisions is also expected to contribute to forecast growth in EBIT in CY2010.

The CY2010 forecast EBIT and EBIT margin include a number of assumptions on project margins, overhead costs and listed public company costs as set out below.

Direct project and service costs, which account for the majority of total costs, have been forecast on a project-by-project basis and reflect project based assumptions regarding the expected timing of costs incurred, incorporating an appropriate allowance for construction contingencies. The assumptions underlying the direct cost and project margin forecast include:

- in relation to awarded construction and service contracts, cost estimates are based on key construction inputs (including wage and material escalation), contract terms and Valemus' assessment on a project-by-project basis of the expected revenue to be earned or costs to be paid which have not been finally determined with customers and third parties (such as subcontractors, insurers and others);
- for contracts not yet awarded, cost estimates are based on management's view of the likely size and timing of the project, with detailed costs estimates for projects in the tender phase; and
- the stage of completion of individual projects is based on the value of work forecast to be performed. In CY2010, a number of projects are assumed to achieve 20% overall completion and therefore reach the project profit recognition threshold.

Overhead costs include an expected increase in salaries and wages relating to increased headcount and underlying wage growth. In the Historical Financial Periods, Valemus paid to BBAG a management fee of 0.3% per annum of annual gross revenue. In CY2009, this amounted to $14 million. This cost will in part be replaced by costs of Valemus being a publicly listed company, which in CY2010 are expected to be $9 million.

The total cost associated with the listing of Valemus is expected to be $57 million. Of this cost, $55 million have been offset against the equity raised and a further $2 million are expected to be expensed as they are unrelated to the issue of Shares. For the purpose of the pro forma forecast, the amount expected to be expensed has been excluded but is reflected in the statutory forecast.

The pro forma forecast CY2010 NPAT includes an aggregate amount of approximately $1.7 million from three motorway maintenance contracts carried out by joint venture companies (50% owned by Conneq and 50% owned by one other unrelated party). Under the terms of these joint ventures, each party is entitled to acquire the interest of the other party in certain circumstances (including certain change of control events of one of the joint venture parties) at 90% of an independent market valuation of the contract. The pro forma CY2010 forecast NPAT has been prepared on the assumption that either such entitlements will not arise or will not be exercised by the other party to the joint venture. If this is not the case, Valemus considers that any sum received for its interest in each joint venture would significantly exceed any earnings forgone in CY2010 for that joint venture, but would have the effect of reducing profit in subsequent years by a similar amount in the CY2010 forecast NPAT.

Depreciation and amortisation

Valemus' depreciation and amortisation are forecast to increase by 3% in CY2010 to $42 million from $40 million in CY2009.

- Depreciation expense is expected to increase to $40 million, an increase of $2 million from CY2009, due to the full year impact of additional capital expenditure in CY2009 and the assumed level of capital expenditure in CY2010. Depreciation rates are assumed to remain consistent with those for the Historical Financial Periods.
- Amortisation expense of $2 million relates to the amortisation of contract intangible assets included in the consolidated statement of financial position of Valemus as at 31 December 2009 and assumes no material acquisitions in CY2010.

Net financing costs

Pro forma net financing costs are forecast to be $12 million for CY2010. Pro forma net financing costs include interest income on deposits, interest expense relating to finance leases, and costs relating to the Guarantee Facilities (as described in Section 11.4) and reflect the annualised effect of the proposed capital and debt restructure following settlement of the Offer.

- Interest income of $27 million is based on an assumed average interest rate of 5% applied to a forecast monthly average cash balance of $540 million which is adjusted for intra-month working capital requirements.
- Interest expense of $10 million relates to borrowing costs on finance leases and is based on the assumed monthly average level of finance lease liabilities of $130 million and an assumed interest rate of 8%.
- Guarantee Facilities costs of $29 million are forecast on the basis of the terms of the Guarantee Facilities set out in Section 11.4 and include amortisation of establishment fees, annual facility costs and fees on bonds issued based on average monthly issued bonds of $740 million.

Taxation

The Australian corporate tax rate has been assumed to remain at 30% for CY2010 and it has been assumed that there are no material net permanent differences which result in a difference between the effective tax rate for Valemus and the statutory corporate tax rate of 30%.

Claims have been made for research and development ("R&D") in the past and could possibly be made in the future. The effective tax rate assumed for CY2010 assumes no material R&D claims.

It is expected that there may be material tax benefits that arise as a result of the application of the tax consolidation rules to IPO transactions. This may include tax benefits that arise as a result of legislative changes (that became law on 3 June 2010) which can allow a deduction in respect of long term construction contracts. No amount has been recognised for these potential benefits as the amount cannot be reliably estimated at the date of this Prospectus. Tax consolidation benefits which arise may reduce the level of dividend imputation and franking.

Change in working capital

The movement in working capital included as part of the pro forma forecast CY2010 cash flow is based on the assumption that receivables days and payables days outstanding will remain at levels consistent with those for CY2009 and there are no significant shifts in the funding profile for individual projects which would materially change the progress payments in advance and work in progress positions.

Capital expenditure

The pro forma forecast CY2010 capital expenditure is $89 million and includes $13 million of carry over spending from CY2009 that was delayed due to the recent economic downturn. The estimated allocation between maintenance and replacement capital expenditure, and growth and expansionary capital expenditure for CY2010 is assumed to be 72% and 28%, respectively. The CY2010 forecast includes capital expenditure relating to new contract awards and investment in specialised rail equipment. Specialised equipment purchases have also been identified due to difficulties in obtaining suitable hire equipment.

The pro forma forecast CY2010 capital expenditure is expected to be funded from a combination of cash flow from operations and finance leases as considered appropriate for the assets being acquired.

7.7.2 General assumptions

In preparing the Forecast Financial Information, the following general best estimate assumptions have been adopted:

- no significant amendment to any material agreement or arrangement relating to the Valemus Businesses. The parties to those agreements and arrangements are assumed to continue to comply with the terms of all material agreements and arrangements and maintain all relevant licences and approvals;

- no material business acquisitions or disposals;
- no material change in the competitive operating environment;
- no material changes in capital expenditure requirements;
- no significant delays in the performance of any major contracts;
- no loss of key staff or management or management systems or infrastructure;
- macroeconomic and industry conditions as described in Section 4;
- no material contract disputes or litigation;
- no industrial relations disputes which materially impact operations;
- no change in Valemus' capital structure other than as set out in, or contemplated by, this Prospectus;
- no significant change in the legislative regimes and regulatory environments in the jurisdictions in which Valemus or its key customers operate which will materially affect the Forecast Financial Information (including in the areas of taxation, other than as described in Section 7.7.1, or carbon pollution reduction);
- no changes in accounting standards or other mandatory professional reporting requirements or the Corporations Act and other relevant foreign equivalents of the Corporations Act that would have a material effect on Valemus' financial performance, cash flows or financial position and the way in which they are reported; and
- consistency of Valemus' significant accounting policies over the Forecast Period.

7.8 SENSITIVITY ANALYSIS

The Forecast Financial Information in Section 7.3 is based on certain economic and business assumptions about future events that are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Valemus, the Directors and management.

Set out in Table 7.11 is a summary of the sensitivity of the Directors' pro forma forecast EBIT to variations in a number of key assumptions for CY2010. The changes in the key variables set out in the sensitivity analysis are not intended to be indicative of the complete range of variations that may be experienced. For the purpose of the analysis below, the effect of the changes in key assumptions on the pro forma forecast CY2010 EBIT of $178 million is presented.

Table 7.11 – Sensitivity analysis on pro forma forecast consolidated EBIT for CY2010

Sensitivity	Increase/(decrease)	CY2010 EBIT impact ($ million)
Change in profit recognition timing(1)	N/A	(20)
Change in revenue from Secured Work(2)	2.5%/(2.5)%	9/(9)
Change in revenue from Pending Contracts and new work to be awarded and performed(3)	(20)%	(16)
Change in EBIT margin(4)	0.5%/(0.5)%	23/(23)

Notes:

(1) The EBIT impact has been calculated based on an analysis of projects forming part of Secured Work at 31 December 2009 that are forecast to reach between 20% and 25% completion by the end of CY2010 and their resultant profit recognition impact. This illustrates the estimated outcome of EBIT margin that is not recognised due to delays in the progress of those projects leading to them not reaching 20% completion in the Forecast Period. In the event that these projects do not reach 20% completion in the Forecast Period, it is expected that they will reach the 20% completion threshold in CY2011.

(2) The EBIT impact has been calculated as an average movement of 2.5% on the value of Secured Work performed in CY2010 assuming this does not impact the profit recognition threshold. This illustrates the estimated EBIT outcome of a variance between actual and forecast revenue which would be caused by acceleration or delay of work performed against current scheduled assumptions.

(3) This EBIT impact has been calculated as an average decrease of 20% on the amount of forecast CY2010 revenue that is not secured at 31 March 2010. This illustrates the estimated EBIT outcome of a variance between actual and forecast revenue.

(4) The EBIT impact has been calculated on a 0.5% change in EBIT as a percentage of gross revenue in CY2010. This illustrates the estimated EBIT outcome of a variance between actual and forecast costs.

Care should be taken in interpreting these sensitivities. The estimated impact of changes in each of the variables has been calculated in isolation from changes in other variables over the full year. In practice, changes in variables may offset each other or may be cumulative, and it is likely that Valemus' management would respond to any adverse change in one variable by taking action to minimise the net effect on Valemus' earnings.

While impacting cash flow and profit before tax rather than EBIT, Valemus' sensitivity to interest rate movements is also an important consideration. Whilst Valemus has long-term finance leases with fixed implicit interest rates over the term, it is expected that Valemus will have a substantial cash balance in CY2010, as set out in Sections 7.4 and 7.5. Therefore, Valemus is most sensitive to changes in the cash deposit rate. Assuming that the average CY2010 cash balance, after allowing for intra-month working capital movements, is $540 million, an interest rate movement of 1% would either increase or decrease, as relevant, interest income by approximately $5 million for CY2010.

7.9 PRO FORMA RECONCILIATION TO STATUTORY INCOME STATEMENTS

In presenting the CY2007 to CY2009 pro forma consolidated income statements in Section 7.3, certain adjustments to the CY2007 to CY2009 statutory consolidated income statement have been made to exclude the impact of certain non-recurring items.

The CY2007 to CY2009 income statements have been adjusted to exclude the following items:

- the financial impact of the Blacktown Shopping Centre Litigation, which will become the economic responsibility of BBAG (refer to Section 11.4.3);
- business development costs incurred in the review of investment opportunities, and the establishment of operations in India which were subsequently closed; and
- the separation payment made to a former employee which by its size and infrequency of occurrence is considered a non-recurring item.

7.9.1 Pro forma historical consolidated CY2007 to CY2009 and forecast consolidated CY2010 income statements

Table 7.12 reconciles the pro forma historical consolidated CY2007 to CY2009 EBIT to the statutory EBIT for the same period, adjusted as described above.

Table 7.12 – Reconciliation of pro forma consolidated EBIT and statutory EBIT in CY2007, CY2008 and CY2009

Year to 31 December ($ million)	CY2007	CY2008	CY2009
Pro forma historical EBIT	143	202	163
Blacktown Shopping Centre Litigation (refer to Section 11.4.3)(1)	(19)	(24)	(6)
One-off business development costs in India	–	(3)	(5)
One-off separation payment	–	–	(5)
Statutory EBIT(2)	**124**	**175**	**147**

Notes:
(1) The EBIT pro forma adjustment relating to the Blacktown Shopping Centre Litigation in CY2008 included an adjustment to operating revenue of $21 million. This adjustment was due to the reassessment of the total value of the project.
(2) Statutory EBIT refers to EBIT derived from BBFA's statutory accounts.

The pro forma forecast consolidated CY2010 income statement has been adjusted for:

- the impact of those transaction costs (excluding the Share Plan Offer) which, under Australian Accounting Standards, are required to be expensed in the income statement, resulting in an increase of $2 million;
- the impact of the transaction costs relating to the Share Plan Offer, which under Australian Accounting Standards, is required to be expensed in the income statement, resulting in an increase of $2 million (refer to Section 11.7.2.2);
- the full year impact of Valemus being a publicly listed company. As the Listing is not expected to occur until part way through CY2010, an increase of $3 million has been made to reflect the elimination of the BBAG management fee, replaced by the costs of Valemus being a publicly listed company;
- net financing costs to reflect the annualised effect of the proposed capital and debt restructure following settlement of the Offer. As the Listing is not expected to occur until part way through CY2010, a reduction of $3 million has been made to reflect the additional interest income and financing costs in the period prior to Listing; and
- the tax effect of the above transactions.

Table 7.13 reconciles the pro forma forecast consolidated CY2010 NPAT to the CY2010 result Valemus expects to report in its statutory consolidated CY2010 income statement.

Table 7.13 – Reconciliation of pro forma NPAT and statutory NPAT for CY2010

Year to 31 December ($ million)	CY2010
Pro forma forecast NPAT	116
Transaction related costs	(3)
Net financing costs and Listing costs assuming the Offer occurred on 31 December 2009	–
Statutory forecast NPAT	**113**

7.10 FINANCE FACILITIES

Valemus' main external finance facilities are

- $1,000 million Bank Guarantee Facility;
- Surety Bond Facilities for an aggregate amount of $360 million; and
- $15 million letter of credit facility,

the details of which are outlined in Table 7.14. Refer to Section 11.4 for further details on the Bank Guarantee Facility, the Surety Bond Facilities and the letter of credit facility.

Table 7.14 – Summary of Valemus' guarantee and letter of credit facilities[1]

Facility	Limit ($ million)	Drawn amount as at 31 December 2009 ($ million)[3]	Type of facility	Availability[4]
Bank Guarantee Facility[2]	1,000	490	Letters of guarantee (performance guarantees, financial guarantees, and letters of credit)	Expires June 2013
Surety Bond Facilities	360	223	Performance bonds and surety bonds	At call
Letter of credit facility	15	1	Letters of credit	Annual review, 30 May 2011

Notes:

(1) For further information in relation to the Bank Guarantee Facility refer to Section 11.4.4. For further information in relation to the Surety Bond Facilities, refer to Section 11.4.5. For further information in relation to the letter of credit facility, refer to Section 11.4.6.

(2) A new $1,000 million bank guarantee facility is being established to replace the current $770 million bank guarantee facility. It has been agreed that a fixed charge over an account/s containing $300 million and a floating charge over the remaining assets of Valemus Holdings will be provided as security for the Bank Guarantee Facility. Valemus Limited guarantees the obligations of Valemus Holdings under the Bank Guarantee Facility. Amounts drawn under the Bank Guarantee Facility (including in respect of any Existing L/Gs) are required to be refinanced or cash collateralised on the expiry date of the facility (June 2013). Refer to Section 11.4.4 for further details.

(3) As at 31 March 2010 the drawn amounts under the Bank Guarantee Facility, the Surety Bond Facilities and the letter of credit facility were $465 million, $228 million and $1 million respectively.

(4) The Bank Guarantee Facility will be available for utilisation until the expiry date indicated above unless the facility is cancelled by the relevant financiers due to default by the borrower or guarantor entities under that facility. By contrast, the Surety Bond Facilities are made available for one year periods (subject to rolling extensions) and may be cancelled at the option of the relevant surety bond provider. Where any facility is cancelled this will affect the borrowers' ability to request the issuance of new bonds and guarantees under the cancelled facility but will not impact the continued effectiveness of bonds and guarantees that have been previously issued under the relevant facility. If the Bank Guarantee Facility were to be cancelled this would create an obligation on the borrowers to refinance or cash collateralise the relevant financiers in respect of outstanding bonds and guarantees. There would be no such obligation in circumstances where the Surety Bond Facilities were to be cancelled.

7.11 CONTRACTUAL OBLIGATIONS

Valemus leases certain of its buildings and equipment under non-cancellable finance and operating leases. These leases expire at various dates through 2016 and finance leases have terms of purchase at the conclusion of the lease period at the option of the specific entity holding the lease. Valemus' contractual obligations and commitments as at 31 December 2009 are summarised in Table 7.15.

Table 7.15 – Valemus' contractual obligations and commitments

At 31 December 2009 year end ($ million)	Payment due by end of period				
	Total	Less than 1 year	1 to 3 year(s)	3 to 5 years	More than 5 years
Finance lease obligations[1]	106.3	25.3	34.9	41.3	4.8
Operating lease obligations[2]	86.3	21.1	37.6	19.2	8.4
Total	**192.6**	**46.4**	**72.5**	**60.5**	**13.2**

Notes:

(1) Valemus utilises finance leases to acquire motor vehicles and major plant and equipment generally over terms of four to five years with residuals between 20% and 30%. The current finance lease facilities total $120 million, supported by three financiers.

(2) Valemus utilises operating leases for some mining plant contracts, as well as real estate leases, office machinery and motor vehicles. There is currently a fully utilised $24.5 million operating lease facility relating to plant and equipment. The remainder of the operating lease balance relates to real estate, or minor office equipment lease obligations.

7.12 OFF-BALANCE SHEET ARRANGEMENTS

Historically, Valemus has not used special purpose vehicles or similar financing arrangements. Valemus does not have any off-balance sheet financing arrangements with any of its affiliates or with any unconsolidated entities.

7.13 QUANTITATIVE DISCLOSURE ABOUT MARKET RISK

Significant market risks faced by Valemus are disclosed in Note 3 (financial risk management objectives and policies) to the financial statements in BBFA's 2009 Annual Report that have been lodged with ASIC and are available from www.valemus.com.au.

7.14 DIVIDEND POLICY

Dividends to Shareholders, to the extent they will be paid, are expected to be payable in arrears for the six month periods ended 30 June and 31 December. As such, subject to the financial forecasts being achieved, available distributable profits and other relevant factors, the first dividend the Directors expect to declare will be a final dividend for the six months ending 31 December 2010, forecast to be 4.5 cents per Share (expected to be paid in March 2011).

The CY2010 dividend yield based on this part year dividend annualised for the 12 months to 31 December 2010 is forecast to be 3.6% to 4.1%, based on the Indicative Price Range. Beyond the Forecast Period, Valemus' proposed dividend policy is to distribute at least 50% of net profit after tax.

Valemus intends to frank and impute dividends to the greatest extent possible. Refer to Section 7.7.1 for further information.

After CY2010, subject to available profits and the financial position of Valemus Limited, an interim dividend is expected to be payable annually in September, with a final dividend payable annually in March. No guarantee can be given about future dividends, or the level of franking or imputation of such dividends (if any), as these matters will depend upon future events, including the profitability, growth opportunities, and financial and taxation position of Valemus. The payment of dividends by Valemus Limited will be at the complete discretion of the Directors.

Valemus Limited proposes to pay dividends to shareholders with registered addresses in Australia into nominated Australian bank or financial institution accounts by direct credit. It does not propose to pay dividends to these shareholders by cheque.

7.15 SIGNIFICANT ACCOUNTING POLICIES

The preparation of Financial Information requires estimates, judgements and assumptions that affect the reported amounts of for example, gross revenue, gross expenses, assets and liabilities. These estimates and judgements are based on historical experience and on various assumptions that management believes to be reasonable. Actual results may differ from these estimates under different assumptions or conditions. Revisions to estimates are recognised in the period in which the estimate is revised and in any future period affected. The significant accounting policies set out below apply estimates, judgements and assumptions which could materially affect the financial results or financial position reported in future periods:

- **revenue recognition policy**: construction revenue is recognised by reference to the state of completion of the contract as at the reporting date;
- **construction contracts**: profits on construction contracts are brought to account on the percentage complete basis once a project has reached 20% completion (refer to Section 7.6.1 for a description of Valemus' profit recognition policy on construction contracts). The percentage complete is calculated by dividing cost to date by forecast final costs;
- **depreciation**: this is principally straight line with major earthmoving equipment based on hours worked; and
- **Guarantee costs**: fees which relate to the Guarantee Facilities in respect of construction project costs have been classified as a finance cost.

Further information on significant accounting policies relevant to the Financial Information are disclosed in Note 2 to the financial statements in BBFA's 2009 Annual Report which has been lodged with ASIC and is available from www.valemus.com.au.

Antiene Rail Coal Unloader, NSW
(Abigroup)

8 INVESTIGATING ACCOUNTANT'S REPORTS

ERNST & YOUNG

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The Directors
Valemus Limited
Suite 401
13-15 Lyon Park Road,
North Ryde NSW 2113

Dear Directors

Investigating Accountant's Report on Historical Financial Information

1. Introduction

We have prepared this Investigating Accountant's Report ("Report") at the request of the Directors (the "Directors") of Valemus Limited (the "Company") for inclusion in a Prospectus to be dated on or about 8 June 2010 relating to the initial public offer of 555 million fully paid ordinary shares in the Company.

Expressions defined in the Prospectus have the same meaning in this Report.

2. Scope

We have been requested to prepare a Report covering the following financial information:

- The pro forma consolidated income statements and footnotes thereto in Section 7.3 of the Company for the years ended 31 December 2007, 2008 and 2009 which includes the pro forma adjustments disclosed in Section 7.9;
- The pro forma consolidated statements of cash flows from operations and footnotes thereto in Section 7.5 of the Company for the years ended 31 December 2007, 2008 and 2009 which includes the pro forma adjustments disclosed in Section 7.9;
- The historical consolidated statement of financial position of BB Finance Australia Pty Limited ("BBFA") as at 31 December 2009 set out in Section 7.4; and,
- The pro forma consolidated statement of financial position and footnotes thereto in Section 7.4 as at 31 December 2009 of the Company which assumes completion of the proposed transactions disclosed in Section 7.4 and includes the pro forma adjustments disclosed in Section 7.4.

(Collectively, the "Historical Financial Information")

The historical consolidated statement of financial position as at 31 December 2009 has been extracted from the audited statutory financial statements of BBFA which were audited by Ernst & Young and on which an unqualified audit opinion was issued.

The remaining Historical Financial Information has been derived from BBFA's audited financial statements for the years ended 31 December 2007, 2008 and 2009 and as at 31 December 2009.

This Report has been prepared for inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this report or on the financial information to which it relates for any purposes other than that for which it was prepared. This report should be read in conjunction with the full Prospectus.

Directors' responsibilities

The Directors have prepared and are responsible for the preparation and presentation of Historical Financial Information together with the key assumptions and proposed transactions and pro forma adjustments.

The Directors have incorporated such proposed transactions and pro forma adjustments as they considered necessary to present the Historical Financial Information on an appropriate basis. These include adjustments to recognise Valemus' share of revenues and expenses from its joint ventures within gross revenue and gross expenses, respectively which is a departure from Australian Accounting Standards.

The Historical Financial Information is presented in an abbreviated form insofar as it does not include all of the disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports.

Our responsibilities

Our responsibility is to express a conclusion on the Historical Financial Information based on our review.

We have conducted an independent review of the Historical Financial Information in order to state whether on the basis of the procedures described, anything has come to our attention that would cause us to believe that:

a) The pro forma consolidated statement of financial position has not been prepared on the basis of the proposed transactions disclosed at Section 7.4;

b) The proposed transactions do not provide a reasonable basis for the pro forma consolidated statement of financial position; and

c) The Historical Financial Information does not present fairly:

- the pro forma consolidated income statements of the Company for the years ended 31 December 2007, 2008 and 2009 which includes the pro forma adjustments disclosed in Section 7.9;
- the pro forma consolidated statement of cash flows from operations of the Company for the years ended 31 December 2007, 2008 and 2009 which includes the pro forma adjustments disclosed in Section 7.9;
- the historical consolidated statement of financial position as at 31 December 2009 set out in Section 7.4; and,
- the pro forma consolidated statement of financial position of the Company as at 31 December 2009 which assumes completion of the proposed transactions disclosed in Section 7.4 and includes the pro forma adjustments disclosed in section 7.4;

in accordance with the measurement and recognition requirements (but not all of the disclosure requirements) of applicable Accounting Standards (with the exception of the recognition of revenues from and expenses of joint ventures within gross revenue and gross expenses) and other mandatory professional reporting requirements in Australia.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements and consists of reading of relevant Board minutes, reading of contracts and other legal documents, inquiries of management personnel and directors of the Company, and analytical procedures applied to the financial data and certain limited verification procedures.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

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3. Conclusion Statement

Review Statement on Historical Financial Information

Based on our review, which was not an audit, nothing has come to our attention which would cause us to believe that:

a) The pro forma consolidated statement of financial position has not been prepared on the basis of the proposed transactions disclosed at Section 7.4;

b) The proposed transactions do not provide a reasonable basis for the pro forma consolidated statement of financial position ; and

c) The Historical Financial Information does not present fairly;

- the pro forma consolidated income statements of the Company for the years ended 31 December 2007, 2008 and 2009 which includes the pro forma adjustments disclosed in Section 7.9;
- the pro forma consolidated statement of cash flows from operations of the Company for the years ended 31 December 2007, 2008 and 2009 which includes the pro forma adjustments disclosed in Section 7.9;
- the historical consolidated statement of financial position as at 31 December 2009 set out in Section 7.4; and,
- the pro forma consolidated statement of financial position of the Company as at 31 December 2009 which assumes completion of the proposed transactions disclosed in Section 7.4 and includes the pro forma adjustments disclosed in section 7.4;

in accordance with the measurement and recognition requirements (but not all of the disclosure requirements) of applicable Accounting Standards (with the exception of the recognition of revenues and expenses from joint ventures within gross revenues and gross expenses, respectively) and other mandatory professional reporting requirements in Australia.

4. Subsequent Events

Apart from the matters dealt with in this Report, and having regard to the scope of our Report, to the best of our knowledge and belief no material transactions or events outside of the ordinary business of the Company have come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

5. Disclosure

Ernst & Young does not have any pecuniary interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in this matter. Ernst & Young provides audit and other advisory services to the Company, and will receive a professional fee for the preparation of this Report.

Consent to the inclusion of the Investigating Accountant's Report in the Prospectus in the form and context in which it appears, has been given. At the date of this Report, this consent has not been withdrawn.

Yours faithfully

Ernst & Young

Ernst & Young

ERNST & YOUNG

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8 June 2010

The Directors
Valemus Limited
Suite 401
13-15 Lyon Park Road
North Ryde NSW 2113

Dear Directors

PART 1: INVESTIGATING ACCOUNTANT'S REPORT ON FORECAST FINANCIAL INFORMATION

We have prepared this Investigating Accountant's Report (the "Report") on the Forecast Financial Information of Valemus Limited ("the Company") for the financial year ending 31 December 2010 for inclusion in a Prospectus to be dated on or about 8 June 2010 (the "Prospectus") relating to the initial public offer of fully paid ordinary shares of the Company (the "Offer").

Expressions defined in the Prospectus have the same meaning in this Report.

The nature of this Report is such that it can be given only by an entity, which holds an Australian Financial Services Licence under the Corporations Act 2001 Cth ("Corporations Act"). Ernst & Young Transaction Advisory Services Limited holds the appropriate Australian Financial Services Licence.

Scope

You have requested Ernst & Young Transaction Advisory Services Limited to prepare a report for inclusion in the Prospectus covering the following information:

(a) Pro forma forecast consolidated income statement of the Company for the year ending 31 December 2010 and notes thereto as set out in Section 7.3 of the Prospectus; and

(b) Pro forma forecast consolidated statement of cash flow of the Company for the year ending 31 December 2010 and notes thereto as set out in Section 7.5 of the Prospectus.

The financial information set out above is referred to collectively as the "Forecast Financial Information".

The Directors are responsible for the preparation and presentation of the Forecast Financial Information, including the best-estimate assumptions, which include the pro forma transactions set out in Sections 7.7 and 7.9, on which the forecasts are based. The Forecast Financial Information has been prepared for inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this Report or on the Forecast to which it relates for any purposes other than for which it was prepared.

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Review of Forecast Financial Information

Our review of the Forecast Financial Information was conducted in accordance with the Australian Auditing and Assurance Standards. Our procedures consisted primarily of enquiry and comparison and other such analytical review procedures we considered necessary. These procedures included discussion with the Directors and management of the Company and have been undertaken to form an opinion whether anything has come to our attention which causes us to believe that:

(a) the Directors' best-estimate assumptions do not provide a reasonable basis for the Forecast Financial Information;

(b) in all material respects, the Forecast Financial Information is not properly compiled or prepared on the basis of the best-estimate assumptions;

(c) the Forecast Financial Information is not presented fairly in accordance with the recognition and measurement principles (but not all of the presentation and disclosure requirements) prescribed in Accounting Standards (with the exception of the recognition of revenues from and expenses of joint ventures within gross revenue and gross expenses) and other mandatory professional reporting requirements in Australia and the accounting policies of the Company disclosed in Sections 7.2 and 7.15 of the Prospectus; and

(d) The Forecast Financial Information is unreasonable.

The Forecast Financial Information has been prepared by the Directors to provide investors with a guide to the Company's potential future financial performance based upon the achievement of certain economic, operating, development and trading assumptions about future events and actions that have not yet occurred and may not necessarily occur. There is a considerable degree of subjective judgement involved in the preparation of the Forecast Financial Information. Actual results may vary materially from the Forecast Financial Information and the variation may be materially positive or negative. Accordingly, investors should have regard to the Risk Factors set out in Section 10 of the Prospectus and Sensitivity Analysis set out in Section 7.8 of the Prospectus.

Our review of the Forecast Financial Information that is based on best-estimate assumptions is substantially less in scope than an audit examination conducted in accordance with Australian Auditing and Assurance Standards. A review of this nature provides less assurance than an audit. We have not performed an audit and we do not express an audit opinion on the Forecast Financial Information included in the Prospectus.

Review Statement

Based on our review of the Forecast Financial Information as set out in Sections 7.3 and 7.5 of the Prospectus, which is not an audit, and based on our review of the reasonableness of the Directors' best-estimate assumptions giving rise to the Forecast Financial Information, nothing has come to our attention which causes us to believe that:

(a) the Directors' best-estimate assumptions set out in Sections 7.7 of the Prospectus do not provide a reasonable basis for the Forecast Financial Information;

(b) the Forecast Financial Information is not properly compiled or prepared on the basis of the Directors' best-estimate assumptions;

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(c) the Forecast Financial Information is not presented fairly in accordance with the recognition and measurement principles (but not all of the presentation and disclosure requirements) prescribed in Accounting Standards (with the exception of the recognition of revenues from and expenses of joint ventures within gross revenue and gross expenses) and other mandatory professional reporting requirements in Australia and the accounting policies of the Company disclosed in Sections 7.2 and 7.15 of the Prospectus; and

(d) the Forecast Financial Information is unreasonable.

The best-estimate assumptions are subject to significant uncertainties and contingencies often outside the control of the Company and the Directors. If events do not occur as assumed, actual results achieved and distributions provided by the Company may vary significantly from the Forecast Financial Information. Accordingly, we do not confirm or guarantee the achievement of the Forecast Financial Information, as future events, by their very nature, are not capable of independent substantiation. Investors should have regard to the Sensitivity Analysis and Risk Factors detailed in Sections 7.8 and 10 of the Prospectus, respectively.

Subsequent Events

Apart from the matters dealt with in this Report, and having regard to the scope of our Report, to the best of our knowledge and belief no material transactions or events outside of the ordinary business of the Company have come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive in the form and context in which it appears in the Prospectus.

Independence or Disclosure of Interest

Ernst & Young Transaction Advisory Services Limited does not have any interest in the outcome of the Offer, other than in connection with the preparation of this Report and participation in due diligence procedures. Ernst & Young Transaction Advisory Services Limited will receive a professional fee for the preparation of this Report. Ernst & Young acted as statutory auditor of BBFA for the year ended 31 December 2009 for which it received a market based fee.

Consent

Consent to the inclusion of this Report in the Prospectus in the form and context in which it appears has been given. At the date of this Report, this consent has not been withdrawn.

Yours faithfully
Ernst & Young Transaction Advisory Services Limited

Tony Connolly
Director and Representative

ERNST & YOUNG

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THIS FINANCIAL SERVICES GUIDE FORMS PART OF THE INVESTIGATING ACCOUNTANT'S REPORT

PART 2 – FINANCIAL SERVICES GUIDE

1. Ernst & Young Transaction Advisory Services

Ernst & Young Transaction Advisory Services Limited ("Ernst & Young Transaction Advisory Services" or "we," or "us" or "our") has been engaged to provide general financial product advice in the form of an Investigating Accountant's Report ("Report") in connection with a financial product of another person. The Report is to be included in documentation being sent to you by that person.

2. Financial Services Guide

This Financial Services Guide ("FSG") provides important information to help retail clients make a decision as to their use of the general financial product advice in a Report, information about us, the financial services we offer, our dispute resolution process and how we are remunerated.

3. Financial services we offer

We hold an Australian Financial Services Licence which authorises us to provide the following services:

- financial product advice in relation to securities, derivatives, general insurance, life insurance, managed investments, superannuation, and government debentures, stocks and bonds; and
- arranging to deal in securities.

4. General financial product advice

In our Report we provide general financial product advice. The advice in a Report does not take into account your personal objectives, financial situation or needs.

You should consider the appropriateness of a Report having regard to your own objectives, financial situation and needs before you act on the advice in a Report. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain an offer document relating to the financial product and consider that document before making any decision about whether to acquire the financial product.

We have been engaged to issue a Report in connection with a financial product of another person. Our Report will include a description of the circumstances of our engagement and identify the person who has engaged us. Although you have not engaged us directly, a copy of the Report will be provided to you as a retail client because of your connection to the matters on which we have been engaged to report.

5. **Remuneration for our services**

We charge fees for providing Reports. These fees have been agreed with, and will be paid by, the person who engaged us to provide a Report. Our fees for Reports are based on a time cost or fixed fee basis. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Ernst & Young Transaction Advisory Services is ultimately owned by Ernst & Young, which is a professional advisory and accounting practice. Ernst & Young may provide professional services, including audit, tax and financial advisory services, to the person who engaged us and receive fees for those services. You may request further particulars of our remuneration.

Except for the fees and benefits referred to above, Ernst & Young Transaction Advisory Services, including any of its directors, employees or associated entities should not receive any fees or other benefits, directly or indirectly, for or in connection with the provision of a Report.

6. **Associations with product issuers**

Ernst & Young Transaction Advisory Services and any of its associated entities may at any time provide professional services to financial product issuers in the ordinary course of business.

7. **Responsibility**

The liability of Ernst & Young Transaction Advisory Services is limited to the contents of this Financial Services Guide and the Report.

8. **Complaints process**

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial services. All complaints must be in writing and addressed to the AFS Compliance Manager or the Chief Complaints Officer and sent to the address below. We will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service Limited.

9. **Compensation Arrangements**

The Company and its related entities hold Professional Indemnity insurance for the purpose of compensation should this become relevant. Representatives who have left the Company's employment are covered by our insurances in respect of events occurring during their employment. These arrangements and the level of cover held by the Company satisfy the requirements of section 912B of the Corporations Act 2001.

Contacting Ernst & Young Transaction Advisory Services:	**Contacting the Independent Dispute Resolution Scheme:**
AFS Compliance Manager Ernst & Young 680 George Street SYDNEY NSW 2000 Telephone: (02) 9248 5555	Financial Ombudsman Service Limited PO Box 3 MELBOURNE VIC 3001 Telephone: 1300 78 08 08

This Financial Services Guide has been issued in accordance with ASIC Class Order CO 04/1572

Douglas Mineral Sands, Surface Mining, VIC
(Abigroup)

9 TAX REPORT

PRICEWATERHOUSECOOPERS

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The Directors
Valemus Limited
Suite 401
13-15 Lyon Park Road
NORTH RYDE NSW 2113

8 June 2010

Independent Taxation Report

Dear Sirs

We have been requested to comment on the Australian income tax, capital gains tax, GST and stamp duty issues for Shareholders associated with investing in Shares in Valemus Limited ("Valemus"), pursuant to the prospectus ("Prospectus") to be dated on or around 8 June 2010.

This letter should be read in conjunction with the remainder of the Prospectus. Terms used in this letter are as defined in the Prospectus, unless otherwise indicated.

The categories of Shareholders considered in this letter are limited to individuals, companies (other than life insurance companies) and complying superannuation funds who hold their Shares on capital account.

This letter does not attempt to address all of the Australian taxation consequences relevant to Shareholders who subscribe for Shares pursuant to the Prospectus. Specifically, this letter does not consider the consequences for Shareholders who hold their Shares on revenue account or as trading stock or Shareholders who are exempt from Australian income tax.

The advice within this letter is necessarily general in nature. Potential investors should obtain, and rely only upon, their own independent taxation advice about the consequences of acquiring or disposing of the Shares and receiving distributions from the Shares, having regard to their own specific circumstances.

Our comments in relation to income tax are based on the relevant taxation laws in the Income Tax Assessment Act 1936, the Income Tax Assessment Act 1997, the Income Tax Rates Act 1986 and the Taxation Administration Act 1953 (referred to collectively herein as "the Tax Act").

Taxation of the Company

Valemus will be an Australian resident company for taxation purposes and will be subject to Australian income tax on income that it has derived. The corporate income tax rate in Australia is currently 30%.

Dividends paid by Valemus to Shareholders may be franked dividends and allow franking credits to flow through to Shareholders. This will be subject to the availability of franking credits within Valemus and subject to the income tax rules associated with utilising franking credits discussed further below.

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Taxation of Shareholders - Valemus dividends

In our opinion an investment by a Shareholder should constitute an equity interest for tax purposes under the Tax Act, such that dividends paid thereon by Valemus should be capable of being franked.

Australian resident individual and superannuation fund Shareholders

Dividends paid by Valemus to Australian resident individual and superannuation fund Shareholders should be included in the Shareholder's assessable income in the year the dividend is paid. If the dividend is franked (i.e. carries a tax credit reflecting company tax which has been paid on the profits out of which the dividend is paid), then the amount of the associated franking credit will also be included in the Shareholder's assessable income. In these circumstances, the Shareholder will generally be entitled to a tax credit equal to the franking credit. This tax credit can be used to reduce tax payable on the Shareholder's taxable income. Where this tax credit exceeds the resident Shareholder's tax payable as assessed, the Shareholder will generally be entitled to a refund of the excess credit.

Australian resident corporate Shareholders

Corporate Shareholders are also required to include both the dividend and associated franking credit in their assessable income. They are then allowed a tax offset up to the amount of the franking credit on the dividend.

An Australian resident corporate Shareholder should be entitled to a credit in its own franking account to the extent of the franking credit on the distribution received. This will allow the corporate Shareholder to pass on the benefit of the franking credits to its own shareholder(s) on the payment of dividends.

Excess franking credits received cannot give rise to a refund for a company but can be converted into carry forward tax losses under the Tax Act.

Non-Australian resident Shareholders

Unfranked dividends paid by Valemus to non-Australian resident Shareholders will be subject to Australian dividend withholding tax ("DWHT"). DWHT will be imposed at thirty per cent unless the Shareholder is a resident of a country with which Australia has a Double Taxation Agreement, in which case the DWHT is generally reduced to fifteen per cent.

Fully franked dividends are not subject to DWHT.

Holding period rule

A Shareholder is required to hold ordinary Shares "at risk" for more than 45 days continuously (which is measured as the period commencing the day after the Shares were acquired and ending on the 45th day after the Shares become ex-dividend) in order to qualify for franking benefits, including franking credits. This "holding period rule" is subject to certain exceptions, including where the total franking rebates of an individual in a year of income do not exceed $5,000. Special rules apply to trusts and beneficiaries.

Taxation of Shareholders – disposal of Shares

The comments below do not apply to Shareholders who will hold Shares on revenue account, for example share traders. Such Shareholders may have amounts included in their assessable income under the ordinary income provisions of the Tax Act if they dispose of their Shares. The comments

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below relate to Shareholders for whom only the capital gains tax ("CGT") provisions will be applicable.

For CGT purposes, the disposal of a Share will involve the disposal of an asset. The CGT rules will apply to each asset.

Australian resident Shareholders

Australian resident Shareholders will be subject to Australian CGT on the disposal of the Shares.

A Shareholder will derive a capital gain on the disposal of the Shares to the extent that the consideration on disposal exceeds the CGT cost base of the Shares (broadly, this is the amount paid to acquire the Shares plus any transaction / incidental costs). A Shareholder will incur a capital loss on the disposal of the Shares to the extent that the consideration on disposal is less than the CGT reduced cost base of the Shares.

All capital gains and capital losses arising in a financial year are added together to determine whether a Shareholder has derived a net capital gain or incurred a net capital loss in a year.

If a Shareholder derives a net capital gain in a year, this amount is, subject to the comments below, included in the Shareholder's assessable income. If a Shareholder incurs a net capital loss in a year, this amount is carried forward and is available to offset against capital gains derived in subsequent years, subject in some cases to the Shareholder satisfying certain rules relating to the recoupment of carried forward losses.

Individuals

Australian resident individual Shareholders will in certain circumstances be liable to tax on only half of any capital gain made on the disposal of the Shares. This 50 per cent "discount" is only available if the Shares are owned by the Shareholder for at least 12 months prior to disposal (calculated by excluding the date of acquisition) and certain other conditions are satisfied.

Superannuation funds

The CGT treatment of complying Australian resident superannuation funds is, in general, the same as that set out above for Australian resident individuals, except that the "discount" is 33⅓ per cent rather than 50 per cent.

Non-Australian resident Shareholders

A non-Australian resident Shareholder generally should not be subject to any Australian income tax consequences from the disposal of Shares in Valemus, provided that the sum of direct participation interests held by the Shareholder (and its associates) in Valemus, has been less than ten per cent. Non-Australian resident Shareholders potentially holding a direct participation interest (with associates) in Valemus of ten per cent or more should obtain their own independent taxation advice regarding the consequences of disposing of Shares.

GST

The acquisition, redemption or disposal of the Shares by an Australian resident will be an input taxed financial supply, and therefore is not subject to GST.

The issue of the Shares to a non-resident will be a GST-free supply by Valemus and therefore will also not be subject to GST. Further, the acquisition, redemption or disposal of the Shares by a non-resident will generally be outside the scope of Australian GST.

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No GST should be payable in respect of dividends paid to the Shareholders.

Where an Australian resident is registered for Australian GST it will generally not be entitled to claim full input tax credits in respect of the GST incurred on their expenses relating to the acquisition or disposal of the Shares, for example, lawyers' and accountants' fees.

Shareholders should seek their own advice as to the impact of GST in their own particular circumstances.

Other Matters

Tax File Number and Australian Business Number

An Australian Shareholder may quote its Tax File Number ("TFN") or, where relevant, Australian Business Number ("ABN") to Valemus. This is not a requirement, however if a TFN or ABN is not quoted, and no exemption is applicable, tax may be required to be deducted by Valemus at the highest marginal tax rate (i.e. 46.5%) from the unfranked portion of dividends distributed to Shareholders.

Shareholders that hold their Shares as part of an enterprise may quote their ABN instead of their TFN.

Non-resident Shareholders are exempt from this requirement.

Stamp duty

No stamp duty should be payable by Shareholders on the acquisition or subscription for Shares that are 'quoted on the ASX' provided that, as a result of the acquisition/subscription, the Shareholder does not hold (either alone, or when aggregated with 'associated persons') 90% or more of the Shares.

Disclaimer

The information contained in this opinion does not constitute "financial product advice" within the meaning of the Corporations Act 2001 (Cth) ("Corporations Act"). The PricewaterhouseCoopers partnership which is providing this advice is not licensed to provide financial product advice under the Corporations Act. To the extent that this document contains any information about a "financial product" within the meaning of the Corporations Act, taxation is only one of the matters that must be considered when making a decision about the relevant financial product. This material has been prepared for general circulation and does not take into account the objectives, financial situation or needs of any recipient. Accordingly, any recipient should, before acting on this material, consider taking advice from a person who is licensed to provide financial product advice under the Corporations Act. Any recipient should, before acting on this material, also consider the appropriateness of this material having regard to their objectives, financial situation and needs and consider obtaining independent financial advice.

Yours faithfully

David Ireland
Partner

(4)

Triniti Business Campus, NSW
(Baulderstone)

10 RISK FACTORS

There are a number of risks, both specific to Valemus and of a general nature, which may either individually, or in combination, materially and adversely affect the future operating and financial performance of Valemus, its financial position, the ability or willingness of Valemus Limited to pay dividends and the value of the Shares. Many of these risks are outside the control of Valemus, the Directors and management. There can be no guarantee that Valemus will achieve its stated objectives or that any forward looking statements or forecasts will eventuate.

This Section describes the areas that are believed to be the key risks associated with an investment in the Shares. These risks have been separated into business risk factors (described in Section 10.1) and general investment risk factors (described in Section 10.2). Prospective investors should note that this is not an exhaustive list of the risks associated with an investment in Valemus Limited and it should be considered in conjunction with other information disclosed in this Prospectus. Prospective investors should have regard to their own investment objectives and financial circumstances, and should consider seeking professional guidance from their stockbroker, solicitor, accountant or other independent professional adviser before deciding whether to invest in Valemus Limited.

10.1 BUSINESS RISK FACTORS

10.1.1 Adverse economic conditions

The operating and financial performance of Valemus is influenced by a variety of general economic and business conditions in Australia which are outside the control of Valemus, the Directors and management.

Demand for Valemus' services will be affected by the extent to which engineering construction and building projects proceed and the level of operating and maintenance expenditure by asset owners. Australian economic performance in general, and construction industry activity in particular, have been supported by substantial stimulus spending in the last 18 months by both Federal and state governments. If the private sector does not recover quickly enough to replace decreased government stimulus spending, construction activity in Australia may be lower than anticipated. In addition, construction activity is expected to be supported by announced Federal and state government spending on infrastructure, as discussed in Section 4.1.4, which may not occur in the amounts or within the timeframes announced, if at all.

A deterioration in general economic conditions (including any disruption to the economic recovery in Australia and key foreign countries) may result in lower levels of construction and Services activity or the delay, change of scope or cancellation of current projects, which may have an adverse impact on Valemus' future financial performance and position.

10.1.2 Project selection and pricing

Valemus regularly enters into contracts for construction and Services projects following a competitive tendering process. A significant proportion of Valemus' business is contracted on a fixed price basis with limited entitlements to price adjustments. The key factors assessed by Valemus during the project selection and tendering phases are described in Section 5.1.6. Failure by Valemus to properly assess and manage project risks may result in cost overruns which cause the project to be less profitable than expected or loss making. If this were to occur, it may have an adverse impact on Valemus' future financial performance and position.

If Valemus decides to submit a tender for new work on a particular project, numerous assessments will be made by Valemus on key factors, including those relevant to the estimate of the cost of the work and time to complete the project. Some of the key assessments that impact on time and cost include productivity rates, weather, possible disruptions arising from industrial disputes involving Valemus' workforce, availability and cost of raw materials, equipment and labour, and the sufficiency of engineering and design work.

If such assessments are incorrect and Valemus is unable to recover consequential cost increases, this may have an adverse impact on Valemus' future financial performance and position.

10.1.3 Competition and securing of new business

Valemus operates in a competitive environment and the sustainability of growth and profit margin in Valemus' businesses is dependent on its ability to secure profitable new business on a regular basis (refer to Section 4.1.3). Valemus faces competition from existing competitors and could face competition from new foreign and domestic market participants who could aggressively attempt to grow their market share through activities including significant price reductions. Industry margins are likely to be subject to continuing but varying margin pressures (including price pressures from customers, costs of completing work on projects, and also the cost of tendering for a project). Valemus' Services business also faces the risk that its current or potential customers will transfer or conduct maintenance in-house (refer to Section 4.2.3), or a change of ownership of their customers impacts their procurement decisions. A deterioration in Valemus' competitive position may result in a loss of market share and a decline in revenue and profit margins, which may have an adverse impact on Valemus' future financial performance and position.

In addition, as a result of Valemus' strategy to maintain Abigroup and Baulderstone as separate businesses able to tender for the same projects, Valemus must adhere to strict probity requirements, particularly during the tender process. If these requirements are not met by Valemus (or its competitors), or do not appear by customers to be met, Abigroup and Baulderstone may not be considered by customers to be independent of one another and may be unable to both tender for the same work, which may impact Valemus' ability to secure new work.

The timing of when contracts are awarded (that is, agreed and entered into between Valemus and its customers on projects) is also unpredictable and outside the control of Valemus, the Directors and management. Valemus may be unable to successfully predict whether and when it will be awarded new contracts, since the tendering process can involve complex and lengthy negotiations that are subject to many factors. As a result, a delay in the award of contracts may result in a decline in revenue and profit in any given year and have an adverse impact on Valemus' future financial performance and position.

10.1.4 Project delays

Delays to the commencement or completion of work on projects have occurred from time to time and may occur in the future due to a variety of reasons, including changes in the scope of work, legal issues, supply of labour, scarcity of quality materials and equipment, lower than expected productivity levels, accidents, natural disasters, inclement weather conditions, land contamination, regulatory intervention, delays in necessary approvals, difficult site access, or industrial relations issues. Objections raised by community interest and environmental groups may also delay the overall progress of a project. Delays often lead to cost increases, some or all of which may not be recoverable by Valemus and may also result in an obligation by Valemus to pay compensation for late completion, often in the form of liquidated damages.

Valemus has established a policy whereby profit on a project can only be recognised once the final margin can be reliably estimated, and not before a project reaches 20% completion (refer to Section 7.6.1). Delays in the execution of projects may result in projects not achieving their forecast level of completion in a particular financial period. If delays result in a project not meeting a forecast 20% profit recognition threshold in a particular financial period, there may be an adverse impact on Valemus' financial performance and position in that period.

10.1.5 Attraction and retention of personnel

Valemus' future success depends upon its ability to attract and retain key personnel (including the senior management team of Valemus and senior project managers) and operational staff who have experience in, and knowledge of, the construction and Services industries. Competition to recruit operational staff has in the past been, and is expected in the future to be, intense, and Valemus has faced difficulties in recruiting or retaining sufficiently skilled operational staff, particularly in industries or regions of rapid economic growth, such as the mining, and oil and gas industries in Queensland and Western Australia.

An inability to attract or retain key personnel and operational staff may have an adverse impact on Valemus' future financial performance and position.

10.1.6 Changes in business mix

The basic terms and conditions of the contracts entered into by Valemus vary considerably and change over time, and each contract type reflects different allocations of risk between Valemus and its customers (refer to Section 5.1.7 for a summary of different contract types). As new types of contracts emerge or if there is a change in the mix of contract types under which Valemus undertakes work (for example, if the number of projects undertaken under alliance style contracts decreases), Valemus may be required to assume a higher degree of risk in its business. If that were to happen and if Valemus were unable to properly assess those risks and reflect the risks in the prices charged for its work, then this may have an adverse impact on Valemus' future financial performance and position.

10.1.7 Availability of credit

Valemus will have credit facilities, consisting of its Guarantee Facilities and finance and operating leases. The Guarantee Facilities are subject to a limit on the aggregate amount of Guarantees issued from time to time under the facilities of $1.36 billion, which Valemus expects to be sufficient to support both the existing level of operations and identified growth opportunities. If the current size of Valemus' Guarantee Facilities is insufficient or Valemus is unable to obtain additional or replacement funding on favourable terms in the future, including as a result of adverse market conditions such as those that were experienced in global credit markets during CY2008 and CY2009, Valemus' ability to fund working capital and other capital requirements, take advantage of opportunities, undertake future projects, fund acquisitions, develop new business initiatives or respond to competitive pressures may be adversely affected or Valemus may be required to limit or reduce the scope of its operations. In addition, Valemus is subject to certain financial and operating covenants set out in the Bank Guarantee Facility, including a restriction on its ability to incur additional indebtedness (refer to Section 11.4.4 for a summary of these restrictions).

10.1.8 Damage to reputation

Valemus' reputation for quality and performance is a key asset of its business. Valemus' reputation (or its relationships with customers, employees, subcontractors, consultants, suppliers and joint venture partners) may be adversely affected by a number of factors. These factors include accidents, a failure by Valemus to adhere to strict probity requirements, a failure by Valemus, its employees, its subcontractors or its joint venture partners to provide services at the contracted price or expected quality level or within contracted or expected timeframes, or negligence by them resulting in disputes or litigation with customers, financial institutions and other third parties, or adverse media coverage. Such matters may significantly damage Valemus' reputation and relationships upon which Valemus depends, and adversely impact its future financial performance and position.

10.1.9 Interest rate, foreign exchange and commodity price movements

The majority of Valemus' current credit facilities relate to the provision of Guarantees to Valemus' customers and suppliers. Whilst the costs for these facilities are fixed during the period of the facility, any future interest rate movements may impact on the cost of the facility upon its renewal in the future, the cost of finance leases to purchase future equipment requirements and interest income earned by Valemus on deposits.

The construction and Services projects undertaken by Valemus require Valemus to regularly purchase materials, equipment, and plant and machinery, some of which may be purchased from foreign countries. The cost of these inputs may be impacted by future commodity price fluctuations and, to the extent that they are imported, may also be impacted by foreign currency fluctuations. This may have an adverse impact on Valemus' future financial performance and position to the extent those risks are not assessed at time of tender, cannot be effectively hedged, or are not recoverable under a contract.

10.1.10 Counterparty credit exposure

The delay or failure of customers or other counterparties to pay their debts or other obligations to Valemus when due (as a result of insolvency or other reasons) may have a material adverse impact on Valemus' future financial performance and position. Valemus maintains provisions for bad and doubtful debts, the adequacy of which is regularly reviewed. If these provisions are inadequate, there may be an adverse impact on Valemus' future financial performance and position.

10.1.11 Reliance on subcontractors and external consultants

Valemus relies on subcontractors and external consultants to perform a significant portion of its services (as described in Section 5.6.2). There is no guarantee that Valemus will be able to source sufficient numbers of suitable subcontractors and external consultants in a timely manner, which may have an adverse impact on Valemus' ability to complete projects in a timely and profitable manner. In addition, a failure by a subcontractor or external consultant to provide services in accordance with their contractual obligations or abide by applicable laws and regulations may expose Valemus to liability for non-performance and may have an adverse impact on Valemus' reputation and its future financial performance and position.

10.1.12 Joint ventures

Valemus has interests in a number of joint ventures, and may enter into new joint ventures in the future (refer to Section 5 for further details). Most of Valemus' joint ventures are overseen by a joint management board which is required to make decisions by consensus due to the equal ownership interests of the joint venture partners. While Valemus believes it has a good working relationship with each of its joint venture partners, Valemus is subject to the risks associated with joint ventures, which include joint and several liability and disagreements regarding operational and financial matters. If there is a deterioration in the relationship with a joint venture partner, or the joint venture partner does not act in the best interests of the joint venture, the joint venture may experience diminished profitability and prospects, early termination of the particular contract and disputes and/or litigation, all of which may have an adverse impact on Valemus' reputation and future financial performance and position.

10.1.13 Litigation

Valemus is currently a party to a number of unresolved litigation cases and disputes, and may be exposed to other claims or disputes in the future with respect to its operations.

Disputes can arise during the execution of a project with customers, subcontractors or suppliers. These disputes may not always be resolved through negotiation with the parties directly and may lead to litigation. Other litigation risks to Valemus include, but are not limited to, claims from various parties including employees, consultants, suppliers, joint venture partners, customers, shareholders, environmental groups and special interest groups. While Valemus maintains insurance that may cover some losses arising out of disputes and claims, not all claims will be covered by insurance. Accordingly, some claims and litigation may have an adverse impact on Valemus' reputation and future financial performance and position.

10.1.14 Impairments of intangible assets

Goodwill and intangible assets are subject to impairment testing as at each balance sheet date. If any acquired business fails to perform in accordance with assumptions made at the time of acquisition, the goodwill associated with that acquisition may be required to be impaired, which would result in impairment expenses being recognised in that period's income statement, which would decrease Valemus' profit in that period and adversely impact its financial position.

10.1.15 Contingent liabilities

In the ordinary course of Valemus' business, it is required to provide a parent company guarantee or arrange for Guarantees to be issued by banks and insurance companies to customers of Valemus as security in relation to the performance by Valemus or its joint ventures of their contractual obligations. As a consequence of the nature of the projects and contracts to which Valemus is a party, there is a risk that the Guarantees may be called upon, and that Valemus would be required by banks and insurance companies to fund payments under the Guarantees, which may have an adverse impact on Valemus' future financial performance and position.

10.1.16 Adequacy of insurance

Valemus holds insurance from insurance companies in respect of major insurable risks associated with its operations. While Valemus maintains insurance which it considers appropriate, it is not insured against all foreseeable risks. It is also not guaranteed that insurance will continue to be available on commercially acceptable terms and conditions or at a commercially acceptable cost. If an event occurs that is not covered by insurance or exceeds the insurable limits, it may have a material adverse impact on Valemus' future financial performance and position.

In addition, Valemus self-insures through its wholly owned captive insurance business, VRMS, in respect of certain risks as set out in Section 5.7. The occurrence of an event related to the self-insured risk that is not adequately covered by reserves will be borne by Valemus and may have an adverse impact on Valemus' future financial performance and position.

10.1.17 Acquisitions

Valemus may make acquisitions from time to time (refer to Section 5.5.3 for further details). Any future acquisition activities will require capital commitments and devotion of significant time and effort by management. Completed acquisitions may not be successfully integrated within Valemus' operations and may require the incurrence of indebtedness, which imposes additional risks to Valemus. In addition, Valemus may assume known and unknown liabilities of an acquired business, including legal, tax, environmental and other contingent liabilities which may have an adverse impact on Valemus' future financial performance and position.

10.1.18 Government policies and regulation

Valemus is subject to a range of laws, regulations and government policies. Breaches of those laws, regulations and policies may adversely affect the operational and financial performance of Valemus, through corrective action, penalties, liabilities, restrictions on activities, suspension of operations or other impacts, and could also cause reputational damage. A change in government policy or regulation may occur due to economic conditions, budget deficits, political shifts or delays in the appropriation process, which may have an adverse impact on Valemus' future financial performance and position.

Any future increase in the cost of regulatory compliance that is unable to be recovered under a contract may also have an adverse impact on Valemus' future financial performance and position.

Industrial relations

Industrial relations in the Australian construction and Services industries are influenced by changes in government legislation, negotiation of workplace and project agreements, and related matters. Valemus (or one of its subcontractors or joint venture partners) could be the subject of industrial action which, if sustained, could result in lower productivity levels that could adversely impact project completion and have an adverse impact on Valemus' future financial performance and position.

The Federal Government has proposed legislation which would change the way the industrial relations regime for the construction industry is overseen. The impact of these changes on the level of industrial action is not known but could lead to increased industrial action.

Additionally, for some of its projects, Valemus may be dependent on transport, logistics, raw material processing and other support operations. Should these operations be impacted by labour disputes, there may be an adverse impact on Valemus' operations and future financial performance and position.

Occupational health and safety and public liability

Valemus' operations can involve risk to both personnel and property, which could give rise to liability for Valemus, including under OHS laws and under general law.

A claim resulting from breaches of OHS laws could result in liability for Valemus and could adversely impact Valemus' reputation and lead to difficulties in recruiting appropriately skilled operating staff or the loss of key personnel or customers, particularly as customers are placing an increasing focus on OHS and reviewing the safety records of potential construction contractors. Where there is not sufficient insurance coverage or recourse against other persons, such claims could have an adverse impact on Valemus' future financial performance and position.

Environmental factors
Activities in the construction and Services industries can result in damage to the environment. Valemus is subject to extensive environmental, safety and health laws concerning, amongst other things, emissions in the air, discharges to land and water, and the generation, handling, treatment and disposal of hazardous materials. These laws prescribe strict liability offences for serious breaches of environmental regulation, including penalties and other liabilities for violation (refer to Section 5.8 for a description of the material environmental laws applicable to Valemus). In addition, laws require significant expenditures for environmental protection equipment, compliance and remediation. These costs (if not recoverable under a contract) may have an adverse impact on Valemus' future financial performance and position.

Future developments in Federal, state and local environmental laws leading to more stringent environmental regulation, including those relating to the regulation and pricing of carbon dioxide equivalent emissions, may expose Valemus to additional unforeseen environmental expenditures (refer to Section 5.8 for further details). To the extent that these costs are not recoverable under a contract in a timely manner, this may have an adverse impact on Valemus' future financial performance and position.

Resources super profits tax
The proposed resources super profits tax announced by the Federal Government on 2 May 2010 may impact some of Valemus' customers and may influence their future decisions to invest in construction and Services projects. This may have an adverse impact on Valemus' future performance and position.

10.2 GENERAL INVESTMENT RISK FACTORS

10.2.1 Potential fluctuations in prices of Shares

There are pricing, liquidity and other risks associated with any investment in a company listed on a stock exchange. The market price and demand for shares quoted on the ASX could be volatile or fluctuate due to numerous factors, including changes in Australian and other international stock exchanges, changes in investor sentiment, inclusion or removal of Valemus Limited from major market indices, changes in domestic and world economic conditions and outlook, including inflation rates, interest rates, exchange rates and unemployment rates, hostilities, tensions, acts of terrorism, civil disturbance and political intervention, changes to government fiscal or monetary policy, and changes to other government policies and legislation or regulation, including taxation.

The market price and demand for the Shares could be volatile or fluctuate in response to a wide range of other factors and actual or anticipated events, including variations in Valemus' prospects or financial results, the outlook for the construction and Services industries, the discovery or development of competing ways to deliver work in the construction and Services industries, adverse industry publicity, and other events or factors affecting the future financial performance and position of Valemus, or its actual or perceived value, or the ability or willingness for Valemus Limited to pay dividends.

10.2.2 Sale of Shares

On completion of the Offer, there can be no guarantee that an active market will develop in the Shares or that the price of the Shares will increase. There may be relatively few or many potential buyers or sellers of the Shares on the ASX at any time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which the Shareholders are able to sell their Shares.

Future issues of Shares may dilute your interest in Valemus Limited and affect the trading price of Shares. This may result in Shareholders who acquire Shares under the Offer receiving a market price for their Shares that is less or more than the Final Price or Retail Price.

10.2.3 Taxation reform

Significant recent reforms and current proposals for further reforms to Australia's tax laws give rise to considerable uncertainty. The precise meaning of much of the new and proposed tax laws is unclear and has not been tested before the courts.

Any changes to the current rate of company income tax in jurisdictions where Valemus operates will impact Shareholder returns. In addition, any change in tax rules and tax arrangements could have an adverse effect on the level of dividend imputation and franking and Shareholder returns.

Tugun Bypass, QLD
(Abigroup)

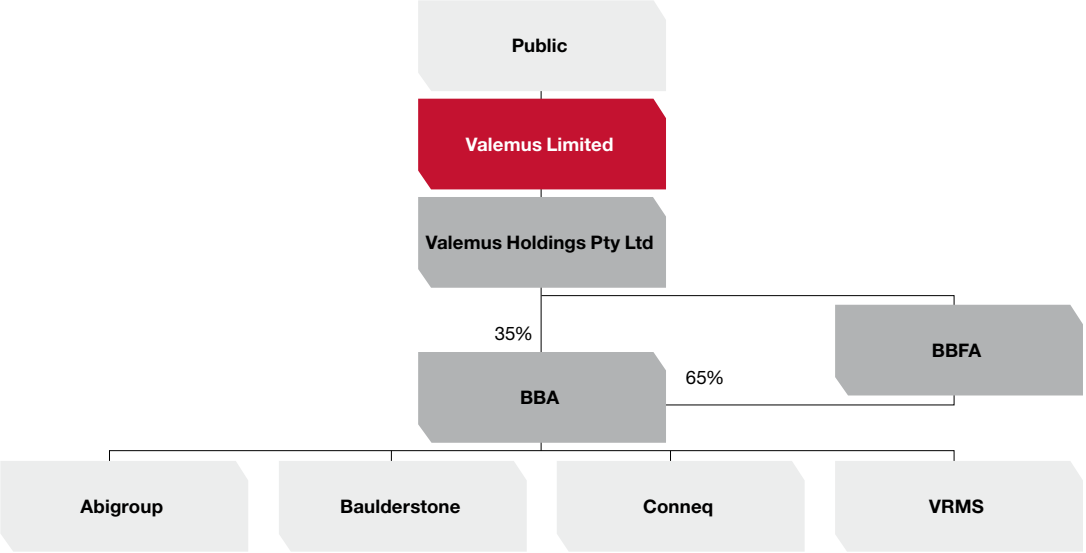
11 ADDITIONAL INFORMATION

11.1 INCORPORATION, SHARE CAPITAL AND CORPORATE STRUCTURE

Valemus Limited was registered in Victoria as a company limited by shares on 27 April 2010. The Company's financial year end is 31 December. At the date of this Prospectus, the Company has one fully paid ordinary share on issue held by BBAG, which on Settlement will be transferred to a senior executive as described in Section 11.6.3.

A summary of the Company's post-Offer corporate structure is shown in Figure 11.1.

Figure 11.1 – Company's post-Offer corporate structure



Note: Lines indicate 100% holdings unless otherwise indicated.

11.2 SUMMARY OF RIGHTS AND LIABILITIES ATTACHING TO SHARES AND OTHER MATERIAL PROVISIONS OF THE COMPANY'S CONSTITUTION

The rights and liabilities attaching to ownership of Shares arise from a combination of the Constitution, statute, the Listing Rules and general law.

A summary of the significant rights attaching to the Shares and other material provisions of the Constitution are set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders. The summary assumes that Valemus Limited is admitted to the official list of ASX.

Voting at a general meeting

At a general meeting of the Company, every Shareholder present in person or by proxy, representative or attorney has one vote on a show of hands and, on a poll, one vote for each Share held.

Meetings of members

Each Shareholder is entitled to receive notice of, attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act and the Listing Rules. Valemus Limited must give at least 28 days written notice of a general meeting of the Company.

Dividends

The Board may from time to time resolve to pay dividends to Shareholders out of the profits of the Company and fix the amount of the dividend, the time for determining entitlements to the dividend and the timing and method of payment. For further information in respect of the Company's proposed dividend policy, refer to Section 7.14.

Transfer of Shares

Subject to the Constitution, Shares may be transferred by a proper transfer effected in accordance with the ASTC Settlement Rules, by a written instrument of transfer which complies with the Constitution or by any other method permitted by the Corporations Act, the Listing Rules or the ASTC Settlement Rules.

The Board may refuse to register a transfer of Shares where permitted to do so under the Corporations Act, the Listing Rules or the ASTC Settlement Rules. The Board must refuse to register a transfer of Shares when required by the Corporations Act, the Listing Rules or the ASTC Settlement Rules.

Issue of further shares

Subject to the Corporations Act, the Listing Rules and the ASTC Settlement Rules and any rights and restrictions attached to a class of shares, the Company may issue, or grant options in respect of, further shares on such terms and conditions as the Directors resolve.

Winding up
If the Company is wound up, then subject to any rights or restrictions attached to a class of shares, any surplus must be divided amongst shareholders in the proportions which the amount paid (including amounts credited) on the shares of a shareholder is of the total amount paid and payable (including amounts credited) on the shares of all members of Valemus Limited.

Unmarketable parcels
Subject to the Corporations Act, the Listing Rules and the ASTC Settlement Rules, the Company may sell the Shares of a Shareholder who holds less than a marketable parcel of Shares.

Share buy-backs
Subject to the Corporations Act, the Listing Rules and the ASTC Settlement Rules, the Company may buy back shares in itself on terms and at times determined by the Board.

Proportional takeover provisions
The Constitution contains provisions for Shareholder approval to be required in relation to any proportional takeover bid. These provisions will cease to apply unless renewed by special resolution of the Shareholders in general meeting by the third anniversary of the date of the Constitution's adoption.

Variation of class rights
At present, the Company's only class of shares on issue is ordinary shares. Subject to the Corporations Act and the terms of issue of a class of shares, the rights attaching to any class of shares may be varied or cancelled by:

- the consent in writing of the holders of three quarters of the issued shares included in that class; or
- a special resolution passed at a separate meeting of the holders of those shares.

In either case, the holders of not less than 10% of the votes in the class of shares, the rights of which have been varied or cancelled, may apply to a court of competent jurisdiction to exercise its discretion to set aside such a variation or cancellation.

Dividend reinvestment plan
The Constitution authorises the Directors, on any terms and at their discretion, to establish a dividend reinvestment plan (under which any Shareholder may elect that all or part of the dividends payable by the Company be reinvested by a subscription for securities) (refer to Section 11.3).

Directors – appointment and removal
Under the Constitution, the minimum number of Directors that may comprise the Board is three and the maximum is fixed by the Directors but may not be more than 11 unless the Shareholders pass a resolution varying that number. Directors are elected at annual general meetings of the Company.

Retirement will occur on a rotational basis so that any Director who has held office for three or more years or three or more annual general meetings (other than one of the executive Directors) will retire and be eligible for re-election. The Directors may also appoint a Director to fill a casual vacancy on the Board or in addition to the Directors, who will then hold office until the next annual general meeting of the Company.

Directors – voting
Questions arising at a meeting of the Board will be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter. In the case of an equality of votes on a resolution, the chairperson of the meeting has a casting vote provided that there are more than two Directors present or qualified to vote.

Directors – remuneration
The Directors, other than any Executive Director, shall be paid by way of fees for services up to the maximum aggregate sum per annum as may be approved from time to time by the Company in general meeting. The current maximum aggregate sum per annum is set out in Section 11.8. Any change to that maximum aggregate sum needs to be approved by Shareholders. The Constitution also makes provision for the Company to pay all reasonable expenses of Directors in attending meetings and carrying out their duties.

Indemnities
The Company, to the extent permitted by law, indemnifies each Director against any liability incurred by that person as an officer of the Company or its subsidiaries, and legal costs incurred by that person in defending an action for a liability of that person. The Company, to the extent permitted by law, may make a payment (whether by way of advance, loan or otherwise) to a Director in respect of legal costs incurred by that person in defending an action for a liability of that person.

The Company, to the extent permitted by law, may pay, or agree to pay, a premium for a contract insuring a Director against any liability incurred by that person as an officer of the Company or its subsidiaries and legal costs incurred by that person in defending an action for a liability of that person.

The Company, to the extent permitted by law, may enter into an agreement or deed with a Director or a person who is, or has been an officer of the Company or its subsidiaries, under which the Company must do all of the following:

- keep books of the Company and allow either or both that person and that person's advisers access to those books on the terms agreed;
- indemnify that person against any liability incurred by that person as an officer of the Company or its subsidiaries and legal costs incurred by that person in defending an action for a liability of that person;
- make a payment (whether by way of advance, loan or otherwise) to that person in respect of legal costs incurred by that person in defending an action for a liability of that person; and

- keep that person insured in respect of any act or omission by that person while a Director or an officer of the Company or its subsidiaries, on the terms agreed (including as to payment of all or part of the premium for the contract for insurance).

Amendment

The Constitution can only be amended by special resolution passed by at least three quarters of Shareholders present (in person, by proxy or representative) and entitled to vote on the resolution at a general meeting of the Company.

11.3 DIVIDEND REINVESTMENT PLAN

The Directors may implement in the future a dividend reinvestment plan ("DRP"). If a DRP is implemented by the Board, Shareholders who elect to participate in the DRP will be able to reinvest in Shares the dividends they are entitled to receive in respect of some or all of their Shares, rather than receiving those dividends in cash.

As at the date of this Prospectus, the Board has not decided to commence operation of any DRP.

11.4 MATERIAL CONTRACTS

The Directors consider that there are a number of contracts which are significant or material to Valemus or of such a nature that an investor may wish to have particulars of them when making an assessment of whether to apply for Shares. The main provisions of each such contract are summarised below. These summaries do not purport to be complete and are qualified in their entirety by reference to the text of the contracts themselves.

11.4.1 Sale Agreement

The Offer is being made to enable Valemus Holdings, a wholly owned subsidiary of Valemus Limited, to acquire BBFA, BBA and their controlled entities from BBAG.

Valemus Limited, Valemus Holdings and BBAG have entered into a share sale agreement dated 8 June 2010 ("Sale Agreement"). Under the Sale Agreement:

- prior to the settlement of the Offer, Valemus Holdings will gain control of BBFA, BBA and their controlled entities; and
- Valemus Holdings has agreed to purchase all of BBAG's shares in BBFA and BBA on settlement of the Offer.

The aggregate consideration that Valemus has agreed to pay BBAG for the shares in BBFA and BBA purchased under the Sale Agreement will be equal to the number of Shares issued under the Institutional Offer multiplied by the Final Price, plus the number of Shares issued under the Retail Offer multiplied by the Retail Price, less:

- the costs of the Offer, an estimate of which is set out in Section 11.11; and
- $200 million to be retained by Valemus as additional capital.

11.4.2 Separation Deed

Valemus Limited and BBAG have entered into a separation deed dated 8 June 2010 ("Separation Deed") to address certain matters arising from the separation of the Valemus Businesses from BBAG. Specifically, the Separation Deed provides for:

- termination of existing management and other fees currently paid by Valemus to BBAG;
- payment by BBAG of certain up-front costs for the Bank Guarantee Facility;
- Valemus to obtain the release of parent company guarantees given by BBAG to certain customers and financiers of the Valemus Businesses, and Valemus' indemnification of BBAG in respect of those parent company guarantees until they are released. This indemnification is also the subject of a separate general deed of counter-indemnity;
- use by Valemus of BBAG intellectual property (including trade names) for up to three months after Settlement;
- the transition of insurance coverage for the Valemus Businesses from BBAG to Valemus; and
- ancillary arrangements including Valemus' exit from the BBAG tax consolidated group on the basis that Valemus will retain liability for historic tax liabilities (except as otherwise agreed with BBAG), access by each party to the records of the other, and assistance in obtaining consents to change of control and renewal of finance facilities.

No fees are payable by Valemus for any of the services described above which are provided by BBAG after Settlement.

11.4.3 Blacktown Shopping Centre Litigation Deed

Amongst other projects, Baulderstone Pty Limited was appointed in 2003 as the building contractor on the redevelopment of a shopping centre in Blacktown, Sydney ("Blacktown Shopping Centre Project") under the terms of an agreement with the owner of that shopping centre, QIC Limited (ACN 130 539 123) ("QIC") in its capacity as trustee of the QIC Westpoint Trust ("Blacktown Shopping Centre Contract").

The parties to the Blacktown Shopping Centre Contract are in dispute following the termination of the Blacktown Shopping Centre Contract in 2006. Each party contends that it has validly terminated the contract. Baulderstone has brought proceedings against QIC in the Supreme Court of New South Wales for remuneration for work performed in the amount of approximately $107 million (exclusive of interest and legal costs) and in the alternative, claims for breach of contract. QIC has counterclaimed against Baulderstone for damages for the additional cost of completing the works, alleged late completion of certain project stages, alleged defects and other matters ("Blacktown Shopping Centre Litigation"). The claim filed by the owner currently partially quantifies the owner's claim in the amount of approximately $100 million (exclusive of interest and legal costs), however the owner has not completed the quantification of its claim and this amount may change.

As part of the sale of BBAG's interest in the Valemus Businesses, Valemus and BBAG have agreed that Baulderstone will pay to BBAG any future proceeds received in respect of the Blacktown Shopping Centre Litigation ("Blacktown Shopping Centre Proceeds") and BBAG will indemnify Valemus in respect of all future losses incurred in connection with the Blacktown Shopping Centre Litigation. The Blacktown Shopping Centre Litigation deed between BBAG, Baulderstone, Valemus Holdings and Valemus Limited dated 8 June 2010 ("Blacktown Shopping Centre Litigation Deed") sets out the terms on which this will occur.

Under the Blacktown Shopping Centre Litigation Deed, BBAG has agreed to:

- indemnify Valemus for any liability which Baulderstone, Valemus Holdings or Valemus Limited may suffer or incur to QIC arising out of or in connection with the Blacktown Shopping Centre Litigation; and
- pay to Valemus $30 million plus the costs incurred by Valemus in relation to the Blacktown Shopping Centre Litigation from 1 January 2010. The $30 million that is to be paid by BBAG to Valemus under the Blacktown Shopping Centre Litigation Deed will be paid in two parts. An initial payment of $10 million will be made on Settlement, and an amount of $20 million will be placed in an account held by Valemus (and with Valemus and BBAG officers as joint signatories), and released to Valemus at such time as the Blacktown Shopping Centre Litigation is finally settled or determined,

and Valemus agrees to:

- allow BBAG to direct the conduct of the Blacktown Shopping Centre Litigation;
- make available relevant employees, information and resources required for the conduct of the Blacktown Shopping Centre Litigation (at BBAG's cost); and
- pay to BBAG the Blacktown Shopping Centre Proceeds.

11.4.4 Bank Guarantee Facility

Summary

Valemus Limited and Valemus Holdings will enter into a Bank Guarantee Facility with a syndicate of banks ("Lenders"). Under the Bank Guarantee Facility, letters of credit and bank guarantees ("L/Gs") will be made available for issuance at the request of Valemus Limited, Valemus Holdings and certain subsidiaries of Valemus Holdings ("Borrowers") in a maximum aggregate amount of $1,000 million in order for Valemus Limited and its subsidiaries to provide L/Gs as required in the ordinary course of business.

The Bank Guarantee Facility will be guaranteed by a group of companies which are subsidiaries of Valemus Limited and which together must at all times represent at least 85% of consolidated total assets and 85% of EBITDA of the group of companies comprising Valemus Limited and each of its subsidiaries ("Guarantors"). The same group of companies will be the Borrowers.

Letters of credit and bank guarantees which are currently on issue under the existing $770 million bank guarantee facility guaranteed by BBAG and BBA ("Existing L/Gs") remain on issue in accordance with their terms following entry into the Bank Guarantee Facility, however the aggregate amount outstanding under those Existing L/Gs will effectively reduce, by that amount, the aggregate amount of L/Gs that can be issued under the Bank Guarantee Facility. As at 31 March 2010, $465 million of Existing L/Gs are outstanding under the existing bank guarantee facility.

The Bank Guarantee Facility will be available for three years after Settlement. At the end of this period L/Gs issued under the Bank Guarantee Facility will remain in place but the Borrowers will be obliged to put into place arrangements satisfactory to the Lenders to ensure that the Lenders no longer have any exposure in respect of the L/Gs (or remaining Existing L/Gs). This might take the form of cash collateral placed with the existing Lenders or other arrangements which have the effect of removing the exposure of the Lenders in relation to those instruments.

Commitments

BBA has mandated Australia and New Zealand Banking Group Limited, Commonwealth Bank of Australia, National Australia Bank Limited and The Royal Bank of Scotland plc, Australia Branch to co-ordinate the Bank Guarantee Facility. This role will extend to syndication of the Bank Guarantee Facility and marshalling the process of finalising the documentation for the Bank Guarantee Facility.

The Lenders comprise Australia and New Zealand Banking Group Limited, Commonwealth Bank of Australia, National Australia Bank Limited, The Royal Bank of Scotland plc, Deutsche Bank AG, Goldman Sachs Lending Partners LLC, Macquarie Bank Limited, Westpac Banking Corporation, HSBC Bank Australia Limited, The Bank of Nova Scotia Asia Limited and BOS International (Australia) Limited.

Each of the Lenders has executed a commitment letter in relation to the Bank Guarantee Facility under which, for agreed upfront and other fees, they agree to provide an aggregate of $1,000 million on the terms set out in a term sheet attached to the commitment letter.

Documentation

Formal documentation for the Bank Guarantee Facility has not yet been executed but is expected to be executed on terms which reflect an agreed term sheet (which is an integral part of the commitment letters) prior to Settlement. Before the Borrowers can utilise the Bank Guarantee Facility, there are a series of conditions that must be met which are customary for facilities of this nature. These include the successful completion of the Offer, the establishment and capitalisation of Valemus Limited as contemplated under this Prospectus, the execution of facility documentation, the provision of securities, the accuracy of certain representations and warranties and the provision of specified certificates, opinions and other information.

L/G purpose and currency
L/Gs will principally be available for issuance in support of performance obligations rather than to support payment or monetary obligations.

In addition, a maximum of 10% of the total committed amount under the Bank Guarantee Facility will be available for use in support of payment or monetary obligations.

L/Gs will be available for issuance in Australian dollars, New Zealand dollars or (with the consent of the relevant Lenders) any other currencies.

Security and cash lock-up
It is a condition to the Bank Guarantee Facility that the Lenders be provided with security over the assets of Valemus Holdings.

This security will comprise:

(a) a fixed charge over a blocked bank account containing $300 million; and

(b) a floating charge over all other assets of Valemus Holdings (including all other cash held by Valemus Holdings and shares in any subsidiaries held by Valemus Holdings).

By virtue of the fixed charge referred to in paragraph (a) above, $300 million will effectively be locked up within Valemus Holdings and will only become available to Valemus with the consent of all of the Lenders under the Bank Guarantee Facility.

Representations and warranties
The Bank Guarantee Facility will contain representations and warranties customary for facilities of this nature. Representations and warranties will relate to all companies in Valemus.

Undertakings
The Bank Guarantee Facility will contain undertakings customary for facilities of this nature including undertakings to provide financial information, a negative pledge (incorporating customary carve outs), restrictions on incurring further debt (subject to certain exceptions), restrictions on advancing debt and restrictions on the making of disposals (which will all be subject to exceptions which are customary for facilities of this nature). The undertakings will relate to all companies in Valemus.

In particular, there will be a restriction on the payment of distributions outside of Valemus while certain defaults are subsisting under the Bank Guarantee Facility, and restrictions on significant acquisitions by Valemus members.

Financial undertakings
The Bank Guarantee Facility will contain financial undertakings as follows:

- (leverage) the ratio of gross debt to EBITDA of Valemus for the previous year, tested on a quarterly basis;
- (fixed charges cover) the ratio of EBITDA plus operating lease rental expense to gross interest expense plus operating lease rental expense of Valemus for the previous year, tested on a quarterly basis;
- (gearing) the ratio of total liabilities plus 50% of all bonds outstanding (whether such bonds are outstanding under the Bank Guarantee Facility or otherwise) to total tangible assets of Valemus as at the end of each quarter;
-
- (liquidity ratio) the ratio of cash (including the $300 million which is subject to a fixed charge in favour of the Lenders) to the amount of all bonds outstanding (whether such bonds are outstanding under the Bank Guarantee Facility or otherwise) of Valemus at any time; and
- (tangible net worth) the tangible net worth of Valemus at any time.

Events of default
The Bank Guarantee Facility will contain events of default which are customary for facilities of this nature, including failure to pay, breach of covenant, breach of financial undertaking, misrepresentation, cross-default, insolvency and related events, unenforceability of transaction documents, de-listing or suspension in trading and material adverse effect. The events of default will relate to all companies in Valemus.

Certain events of default will be subject to materiality thresholds and grace periods.

Review event
The Bank Guarantee Facility will contain a review event upon a change of control of Valemus Limited.

11.4.5 Surety Bond Facilities

The business has Surety Bond Facilities in place with QBE Insurance (Australia) Limited, Vero Insurance Limited and Assetinsure Pty Limited (as agent for Westport Insurance Corporation, a division of Swiss Re). The aggregate facility limit in relation to the Surety Bond Facilities is $360 million and the amount of bonds outstanding as at 31 March 2010 was $228 million.

The surety bonds issued under the Surety Bond Facilities are performance bonds (including advance payment bonds) issued for durations of up to five years in Australian dollars or New Zealand dollars. The Surety Bond Facilities themselves are made available for one year periods (subject to rolling extensions or suspensions imposed) and may be cancelled or suspended at the option of the relevant surety bond provider. Valemus intends to seek to renew these facilities for a further 12 months from their current expiry date of 30 June 2010. The cancellation of a Surety Bond Facility does not affect bonds that have already been issued under that facility. Each Surety Bond Facility contains limits on the value of each bond written under the relevant facility.

The Surety Bond Facilities do not contain financial undertakings of the nature contained in the Bank Guarantee Facility as described in Section 11.4.4.

Under the terms of the proposed new Bank Guarantee Facility, the Borrowers will be permitted to retain these Surety Bond Facilities and will also be permitted to increase the total facility amounts available under these facilities up to a total facility limit of $450 million without the consent of the Lenders and Issuing Banks under the Bank Guarantee Facility.

11.4.6 Transaction banking facilities

In addition to the bank guarantee and surety bond facilities described above the business has transaction banking facilities in place with Australia and New Zealand Banking Group Limited ("ANZ"). These facilities comprise on-line banking, documentary, letter of credit (limit $15.4 million) and credit card facilities. While some of these facilities are presently guaranteed by BBAG, ANZ has agreed to release that guarantee on settlement of the Offer and to continue to provide the facilities to Valemus subject to Valemus and certain of its subsidiaries providing a guarantee to ANZ in respect of amounts outstanding under the facility.

11.4.7 Offer Management Agreement

The Company, the Global Coordinators and Joint Bookrunners, BBAG and BBA entered into the Offer Management Agreement on 8 June 2010. Under the Offer Management Agreement, the Global Coordinators and Joint Bookrunners have agreed to manage the Offer, including the bookbuild and allocation processes for the Offer, and provide settlement support for the Institutional Offer.

Fees and expenses

The Company must pay the Global Coordinators and Joint Bookrunners a base fee equal to 2.30% of the total equity proceeds, calculated as the total number of Shares under the Offer (other than Shares issued to persons pursuant to arrangements described in Section 11.7.2.2 of the Prospectus) multiplied by the Final Price (or the Retail Price as relevant) ("Total Equity Proceeds").

The Company may pay the Global Coordinators and Joint Bookrunners an incentive fee of up to 0.50% of the Total Equity Proceeds if BBAG so determines in its absolute discretion.

The above fees will be divided between the Global Coordinators and Joint Bookrunners in accordance with the terms of the Offer Management Agreement.

The Company must also pay or reimburse the Global Coordinators and Joint Bookrunners for the reasonable costs of, and incidental to, the Offer. The Global Coordinators and Joint Bookrunners are responsible for the fees and commissions payable to syndicate members and brokers to the Offer in accordance with the terms of the Offer Management Agreement.

Guarantee

Under the Offer Management Agreement, BBA has agreed to guarantee the performance by the Company of its obligations under the agreement (including any obligations to pay money).

Representations, warranties and undertakings

Under the Offer Management Agreement, the Company, BBAG and BBA have given certain representations and warranties, and the Company has given certain undertakings, to the Global Coordinators and Joint Bookrunners.

The Company's undertakings include that it will not, without the prior written consent of the Global Coordinators and Joint Bookrunners (such consent not to be unreasonably withheld or delayed), during the period following the date of the Offer Management Agreement until 180 days after the Allotment Date, allot or agree to allot, or indicate in any way that it may or will allot or agree to allot, any shares or other securities that are convertible or exchangeable into equity, or that represent the right to receive equity, of the Company or any subsidiary of the Company (at completion of the Offer), subject to certain exceptions including the matters described in this Prospectus.

Indemnity

Subject to certain exclusions relating to, amongst other things, fraud, recklessness, wilful misconduct and gross negligence by an indemnified party, the Company has agreed to keep the Global Coordinators and Joint Bookrunners and certain affiliated parties ("Indemnified Parties") indemnified from losses directly or indirectly suffered by, or claims made against, an Indemnified Party arising out of, or in connection with, the Offer or the Offer Management Agreement.

Termination events

If any of the following events occur at any time before Settlement or such other time as specified below, a Global Coordinator and Joint Bookrunner may by notice to the Company, BBAG, BBA and the other Global Coordinators and Joint Bookrunners, immediately without any cost or liability to the Global Coordinator and Joint Bookrunner, terminate the Offer Management Agreement:

Termination Events

(a) (**disclosures in prospectus**) having regard to sections 710, 711 and 716 of the Corporations Act, a statement contained in the prospectus is misleading or deceptive, or a matter is omitted from the prospectus;

(b) (**disclosures in the International Offering Memorandum or the pricing disclosure package**) in the Global Coordinator and Joint Bookrunner's reasonable opinion the International Offering Memorandum or the pricing disclosure package included as of the applicable time or will include as of the settlement date:

  (i) an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading; or

  (ii) any forecast, expression of opinion, intention or expectation which is not, in all material respects, fair and honest and based on reasonable assumptions, when taken as a whole;

(c) (**supplementary offer document**) the Company issues, or in the reasonable opinion of the Global Coordinators and Joint Bookrunners, the Company becomes required to issue a supplementary prospectus under the Corporations Act or to amend or supplement the International Offering Memorandum (in the case of the International Offering Memorandum, in any material respect);

(d) (**offences**) the chairman, chief executive officer or chief financial officer of the Company, or the managing director of either Abigroup (David Jurd), Baulderstone (Rick Turchini) or Conneq (Mark Elliot), is charged with an indictable offence;

(e) (**disqualification**) any director of the Company is disqualified from managing a corporation under the Corporations Act;

(f) (**vacancy in office**) the chairman, chief executive officer or chief financial officer of the Company vacates his or her office, or the managing director of either Abigroup (David Jurd), Baulderstone (Rick Turchini) or Conneq (Mark Elliot) vacates his office;

(g) (**listing approval**) unconditional approval (or conditional approval subject only to customary conditions) is refused or not granted by ASX to:

(i) the Company's admission to the official list of ASX; or

(ii) the official quotation of all of the Shares to be issued under the Offer on ASX,

on or before the business day before the quotation date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld or the ASX indicates to the Company or the Global Coordinators and Joint Bookrunners that approval is likely to be withdrawn, qualified (other than by customary conditions) or withheld;

(h) (**notifications**) any of the following notifications are made:

(i) ASIC holding a hearing under section 739(2) of the Corporations Act, except where such hearing does not become publicly known and is withdrawn within three business days of commencing (or if it is held within three business days prior to the settlement date, it has been withdrawn prior to the settlement date);

(ii) ASIC issuing an order (including an interim order) under section 739 of the Corporations Act, in relation to the Offer or the prospectus or ASIC prosecuting or commencing proceedings in relation to the Offer or the prospectus;

(iii) an application is made by ASIC for an order under Part 9.5 of the Corporations Act in relation to the Offer or the prospectus, except where such application does not become publicly known and is withdrawn within three business days of being made (or if it is made within three business days prior to the settlement date, it has been withdrawn prior to the settlement date);

(iv) ASIC commences any inquiry or hearing under Part 3 of the Australian Securities and Investments Commission Act 2001 (Cth) in relation to the Offer or the prospectus, except where such inquiry or hearing does not become publicly known and is withdrawn within three business days of commencing (or if it is held within three business days prior to the settlement date, it has been withdrawn prior to the settlement date);

(v) any person (other than a Global Coordinator and Joint Bookrunner):

A. gives a notice under section 733(3) of the Corporations Act; or

B. whose consent to the issue of the prospectus is required under section 720 of the Corporations Act withdraws such consent; or

C. otherwise named in the prospectus with their consent, withdraws that consent; or

(vi) any person gives a notice under section 730 of the Corporations Act in relation to the prospectus;

(i) (**ASIC modification and ASX waiver**) ASIC withdraws, revokes or amends in a material respect any ASIC modification or ASX withdraws, revokes or amends in a material respect any ASX waiver;

(j) (**withdrawal**) the Company withdraws the prospectus, the New Zealand opt-in notice, the International Offering Memorandum, any invitations to apply for Shares under the offer documents or any part of the Offer or indicates that it does not intend to proceed with the Offer or any part of the Offer;

(k) (**insolvency**) the Company or any group member is insolvent, or there is an act or omission made which will result in the Company or any group member becoming insolvent;

(l) (**market fall**) the S&P/ASX 200 Index:

(i) as at the close of trading on any ASX trading day between (and including) the trading day after successful completion occurs and the ASX trading day prior to the settlement date, is at a level that is 10% or more below the level of the relevant index as at the close of trading on the ASX trading day on which successful completion occurs ("Starting Level"); or

(ii) at any time on the settlement date is 10% or more below the Starting Level;

(m) (**termination**) any other Global Coordinator and Joint Bookrunner terminates the Offer Management Agreement;

(n) (**certificate not given**) a closing certificate is not given by the time required by, and in accordance with clause 4.1(d) of the Offer Management Agreement;

(o) (**forecasts**) the Forecast Financial Information becomes incapable or unlikely of being met, in the forecast time; or

(p) (**unable to issue Shares**) the Company is prevented from issuing the Shares under the Offer within the time required by the Listing Rules, ASX, ASIC, applicable laws, an order of a court of competent jurisdiction or a governmental agency.

Termination events subject to materiality
If any of the following events occur at any time before Settlement or such other time as specified below, and in the reasonable opinion of the relevant Global Coordinator and Joint Bookrunner:

- the event has or is likely to have a material adverse effect on the outcome, settlement or success of the Offer or on the ability of the Global Coordinator and Joint Bookrunner to market, promote or settle the Offer or on the likely price at which the Shares will trade on ASX; or
- the event has or is likely to give rise to a contravention by the Global Coordinator and Joint Bookrunner of, or the Global Coordinator and Joint Bookrunner being involved in a contravention of, the Corporations Act or any other applicable laws or has or is likely to give rise to a liability for the Global Coordinator and Joint Bookrunner under the Corporations Act or any applicable laws,

a Global Coordinator and Joint Bookrunner may by notice to the Company, BBAG, BBA and the other Global Coordinators and Joint Bookrunners, immediately without any cost or liability to the Global Coordinator and Joint Bookrunner, terminate the Offer Management Agreement:

(a) (**disclosures in prospectus**) in the Global Coordinator and Joint Bookrunner's reasonable opinion the prospectus fails to comply with the Corporations Act, the Listing Rules or other applicable laws;

(b) (**forecasts**) any forecast (other than Forecast Financial Information), statement, estimate, opinions or intentions in an offer document which relates to a future matter is or becomes incapable of being met or, in the reasonable opinion of the Global Coordinator and Joint Bookrunner, unlikely to be met in the forecast time;

(c) (**disclosures in due diligence report**) the due diligence report is or is found to be misleading or deceptive or likely to mislead or deceive;

(d) (**information supplied**) any information supplied by or on behalf of the group to a Global Coordinator and Joint Bookrunner in respect of the Offer or the group is found to be false or misleading or deceptive or likely to mislead or deceive;

(e) (**material contracts**) any material contract is varied, terminated, rescinded or altered or amended without the prior consent of the Global Coordinators and Joint Bookrunners or any material contract is breached or found to be void or voidable;

(f) (**legal proceedings**) any of the following occurs:

  (i) the commencement of legal proceedings against any group member or any director of the Company or any material subsidiary; or

  (ii) any regulatory body commences any inquiry or public action against any group member or a director or member of the senior management team of the Company or any material subsidiary in his or her capacity as such or announces that it intends to take any such action;

(g) (**change of law**) there is introduced, or there is a public announcement of a proposal to introduce or adopt, a new law or regulation or government policy in Australia (including a policy of the Reserve Bank of Australia), any member of the European Union, the United Kingdom or the United States of America (other than a law or policy announced prior to the date of the Offer Management Agreement);

(h) (**change in management**) a change in the senior management team or the Board occurs or a member of the senior management team or the Board dies or becomes permanently incapacitated;

(i) (**offences**) any Director or any member of the senior management team, excluding the chairman, chief executive officer or chief financial officer of the Company, or the managing director of either Abigroup (David Jurd), Baulderstone (Rick Turchini) or Conneq (Mark Elliot), is charged with an indictable offence;

(j) (**breach**) the Company fails to perform or observe any of its obligations under the Offer Management Agreement;

(k) (**closing certificate**) any closing certificate given under the Offer Management Agreement by the Company is false, misleading or inaccurate;

(l) (**representations and warranties**) a representation or warranty contained in the Offer Management Agreement on the part of the Company, BBAG or BBA is not true or correct;

(m) (**hostilities**) in respect of any one or more of the United States, Australia, New Zealand, any member state of the European Union, the United Kingdom, Hong Kong, Indonesia, South Korea, China, Japan, Thailand and Vietnam:

  (i) hostilities not presently existing commence;

  (ii) an escalation in existing hostilities occurs (whether war is declared or not); or

  (iii) a declaration is made of a national emergency or war,

  or a major terrorist act is perpetrated anywhere in the world;

(n) (**financial markets**) there is any adverse change or disruption to the existing financial markets, political or economic conditions or currency exchange rates or controls of Australia, New Zealand, the United States, the United Kingdom, other members of the European Economic Area, Hong Kong, Singapore, China or Japan or the international financial markets or any change in national or international political, financial or economic conditions;

(o) (**disruption in financial markets**) either of the following occurs:

  (i) a general moratorium on commercial banking activities in Australia, the United States of America or the United Kingdom is declared by the relevant central banking authority in any of those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries; or

  (ii) trading in all securities quoted or listed on ASX, the London Stock Exchange or the New York Stock Exchange is suspended or limited in a material respect for one day on which that exchange is open for trading or substantially all of a trading day;

(p) (**fraud**) the Company or any of its Directors or officers (as that term is defined in the Corporations Act), engage in any fraudulent conduct or activity whether or not in connection with the Offer;

(q) (**offer timetable**) an event specified in the timetable is delayed for more than one business day; or

(r) (**adverse change**) any adverse change occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of the group from those respectively disclosed in the prospectus or the International Offering Memorandum.

11.5 DEED OF ACCESS, INDEMNITY AND INSURANCE

Valemus Limited has entered into deeds of indemnity, insurance and access with each Director which confirms each person's right of access to certain books and records of the Company for a period of seven years after the Director ceases to hold office. This seven year period can be extended where certain proceedings or investigations commence before the seven years expire. The deed also requires the Company to provide an indemnity for liability incurred as an officer of the Company and its subsidiaries, to the maximum extent permitted by law.

Indemnification

Pursuant to the Constitution, Valemus Limited is required to indemnify all Directors, past and present, against all liabilities allowed under law. The Company has entered into an agreement with each Director to indemnify those parties against all liabilities to another person that may arise from their position as a director or other officer of the Company or its subsidiaries to the extent permitted by law. The deed stipulates that the Company will meet the full amount of any such liabilities, including reasonable legal costs and expenses.

Insurance

Pursuant to the Constitution, the Company may arrange and maintain directors' and officers' insurance for its Directors to the extent permitted by law. Valemus has entered into an agreement with each Director to obtain such insurance during each Director's period of office and for a period of seven years after a Director ceases to hold office. This seven year period can be extended where certain proceedings or investigations commence before the seven years expire.

11.6 EXECUTIVE REMUNERATION AND COMPENSATION

11.6.1 Chief Executive Officer and Chief Financial Officer

Valemus Limited has entered into an employment contract with Peter Brecht to govern Peter Brecht's employment with the Company. Peter Brecht is employed in the position of CEO. Peter Brecht will receive an annual cash salary of $1.6 million, which is subject to review in July of each year. He will also continue to be eligible to participate in a short term incentive plan, under which certain Valemus executives are eligible for cash bonuses based on the earnings before tax of Valemus Limited. For CY2009, the short term incentive payment to Peter Brecht was $2.1 million.

On a redundancy, Valemus Limited must pay to Peter Brecht an amount equal to 12 months of Peter Brecht's cash salary plus superannuation. Valemus Limited may terminate the employment of Peter Brecht immediately and without payment in lieu of notice for gross negligence or gross misconduct. Valemus Limited or Peter Brecht may terminate Peter Brecht's employment agreement by giving 12 months notice in writing or alternatively in Valemus' case, payment in lieu of notice. Peter Brecht's employment contract also includes a restraint of trade period of six months. Enforceability of such restraint of trade is subject to all usual legal requirements.

Darrell Hendry has also entered into an employment contract with Valemus Limited to govern Darrell Hendry's employment with the Company. Darrell Hendry is employed in the position of CFO and Deputy Chief Executive Officer. Darrell Hendry will receive an annual cash salary of $1.32 million, which is subject to review in July of each year. He will also continue to be eligible to participate in a short term incentive plan, under which certain Valemus executives are eligible for cash bonuses based on the earnings before tax of Valemus Limited. For CY2009, Darrell Hendry's short term incentive payment was $1.32 million. On a redundancy, Valemus Limited must pay to Darrell Hendry an amount equal to 12 months of Darrell Hendry's cash salary plus superannuation. Valemus Limited may terminate the employment of Darrell Hendry immediately and without payment in lieu of notice for gross negligence or gross misconduct. Valemus Limited or Darrell Hendry may terminate Darrell Hendry's employment agreement by giving 12 months notice in writing or alternatively in Valemus' case, payment in lieu of notice. Darrell Hendry's employment contract also includes a restraint of trade period of six months. Enforceability of such restraint of trade is subject to all usual legal requirements.

The employment agreements of Peter Brecht and Darrell Hendry entitle them to participate in Valemus' equity incentive plans, including the Long Term Incentive Plan and the Deferred Share Plan. Peter Brecht and Darrell Hendry will be granted performance rights under the Long Term Incentive Plan on or about completion of the Offer. Refer to Section 11.7 for further information. BBAG will make a cash payment, and fund an issue of Shares under the Deferred Share Plan, to Peter Brecht and Darrell Hendry as referred to in Sections 11.6.3 and 11.7.2.2.

11.6.2 Other senior executives

Valemus' other senior executives are employed under individual contracts of employment. The contracts establish:

- the individual's total fixed compensation, which includes fixed cash remuneration and Valemus' superannuation contribution;
- eligibility to participate in Valemus' equity incentive plans (for example, annual bonuses, the Deferred Share Plan and the Long Term Incentive Plan);
- notice and termination provisions; and
- leave entitlements and other employment-related matters.

11.6.3 BBAG payments

BBAG has agreed to fund the issue of $7 million in Shares on or about settlement of the Offer to 53 senior managers of Valemus and to the Non-Executive Directors.

The Shares will be offered by Valemus, as part of the Priority Offer, under the Deferred Share Plan described in Section 11.7.2.2.

BBAG has also agreed to make transaction services payments to Nick Greiner ($750,000), Peter Brecht ($1.45 million), Darrell Hendry ($1.32 million) and six other senior executives ($2.69 million in total) for assistance in relation to the IPO, payable on settlement of the transaction. BBAG may also, in its discretion, make an additional payment to Nick Greiner (up to $375,000), Peter Brecht (up to $725,000), Darrell Hendry (up to $660,000) and six other senior executives (up to $1.35 million in total) twelve months after settlement, provided that the recipient is still employed with Valemus.

11.7 EMPLOYEE, SENIOR EXECUTIVE AND DIRECTOR EQUITY INCENTIVE PLANS

Valemus has established equity incentive plans to assist in the attraction, motivation and retention of senior executives and employees of Valemus. These plans are:

- Long Term Incentive Plan (which provides for grants of options or performance rights to eligible participants); and
- Deferred Share Plan (which provides for grants of Shares to eligible participants and also provides the opportunity for employees to participate in a salary sacrifice arrangement through which Shares will be allocated to participating employees).

The plans contain customary and usual terms for dealing with the administration of the plans, variations of the plans and termination and suspensions of the plans. A summary of the key terms of the plans is set out below.

11.7.1 Long Term Incentive Plan

Summary

Under the Long Term Incentive Plan, eligible participants may be granted options or performance rights (being an entitlement to one Share, subject to the satisfaction of vesting and exercise conditions) on terms and conditions determined by the Board. Options and performance rights under the Long Term Incentive Plan cannot be transferred.

If a participant employee ceases to be employed by Valemus for any reason other than death, total and permanent disablement, redundancy or other circumstances determined by the Board ("Qualifying Circumstances"), all options or performance rights of the participant under the Long Term Incentive Plan will lapse. If a participant employee ceases to be employed by Valemus in Qualifying Circumstances:

- all vested options or performance rights of the participant under the Long Term Incentive Plan will lapse within 30 days after the last employment date of the employee; and
- all unvested options or performance rights of the participant will remain in the Long Term Incentive Plan subject to the performance-based vesting conditions (as defined in the Long Term Incentive Plan). The Board may determine in its discretion, that the number of options or performance rights available to vest will be reduced. In making this determination, the Board may take into account the period of time that has elapsed since the grant of the options or performance rights and the level of satisfaction of the vesting conditions during the proportion of the performance period that has elapsed at the date employment ceases.

If Shares are offered pro rata for subscription by the Company's shareholders generally by rights issue, the exercise price of an option or performance right (if any) will be changed as permitted by the Listing Rules, or if the exercise price is nil, the number of options or performance rights may, subject to the Listing Rules, be changed in a manner determined by the Board. If there is a reorganisation of the issued share capital of Valemus Limited, the number of options or performance rights or their exercise price (if any), or both, will be changed to the extent necessary to comply with the Listing Rules. If Valemus Limited makes a bonus issue of Shares (other than by dividend reinvestment), the number of Shares issued or transferred on a subsequent exercise of an option or performance right will be increased to reflect the number of bonus Shares which would have been issued if the option or performance right had been exercised before the record date for the bonus issue.

Initial grant of performance rights and summary of performance conditions

An initial grant of $1.9 million in performance rights under the Long Term Incentive Plan will be made on Listing to five senior employees, including $600,000 in performance rights to Peter Brecht and $400,000 in performance rights to Darrell Hendry. No payment will be required for the grant or exercise of these performance rights.

One half (50%) of the performance rights granted will be subject to a performance hurdle based on Valemus' earnings per Share ("EPS") growth (as an annual compound percentage) over the applicable performance periods ("EPS Rights") and one half (50%) of the performance rights granted will be subject to a performance hurdle based on Valemus Limited's total Shareholder return ("TSR") relative to the TSR of a comparator group of entities over the applicable performance periods ("TSR Rights").

Performance periods

The applicable performance periods are:

- for the initial offering, the period commencing on the first date Shares trade on ASX and ending on 31 December 2012 (for 50% of the grant) or 31 December 2013 (for the remaining 50% of the grant); and
- for subsequent annual offerings, the period commencing on the business day after the day of the grant and ending on the third anniversary of that day (for 50% of the grant) or the fourth anniversary of that day (for the remaining 50% of the grant).

For the TSR Rights, performance against the TSR hurdle will be measured at the end of the relevant performance period. If the TSR hurdle is not met at the end of the performance period ending 31 December 2012, the unvested TSR Rights will be retested at 31 December 2013 by measuring relative TSR over that extended performance period. For EPS Rights, there is no retesting of the EPS hurdle.

Performance hurdle – EPS Rights
The vesting schedule for the EPS Rights is as follows:

CAGR in EPS over the performance period[1]	% of EPS Rights that will vest
At 8%	50%
Above 8% but less than 12%	Pro rata vesting between 50% and 100%
At or above 12%	100%

Note:
(1) For the purpose of calculating EPS for the relevant period, the reference EPS will be the EPS for the financial year ended 31 December 2009.

Performance hurdle – TSR Rights
The vesting schedule for the TSR Rights is as follows:

TSR percentile ranking[1]	% of TSR Rights that will vest
At the 51st percentile	50%
Above 51st percentile but less than the 75th percentile	Pro rata vesting between 50% and 100%
At or above the 75th percentile	100%

Note:
(1) For the purpose of calculating the TSR percentile ranking, the TSR and a ranking group being 50 entities listed on ASX either side of Valemus' market capitalisation at the start of the performance period for the TSR Rights (based on a 12 month average market capitalisation) will be ranked in descending order from highest to lowest.

11.7.2 Deferred Share Plan

Under the Deferred Share Plan eligible participants will, at the invitation of the Board, be offered awards of Shares on terms and conditions determined by the Board. Shares awarded under the Deferred Share Plan cannot be transferred unless any restrictions on those shares are lifted.

Under the Deferred Share Plan, the Board has discretion to determine the eligibility of participation, quantum of allocation, Share acquisition price (if any), allocation of Shares via on-market purchase of Shares or issue of Shares, disposal restrictions, and other terms and conditions.

Valemus intends to make two types of invitations under the Deferred Share Plan described in Sections 11.7.2.1 and 11.7.2.2. The offer described in Section 11.7.2.1 will be made before the offer described in Section 11.7.2.2.

No rights to acquire Shares pursuant to the offers made under the Deferred Share Plan will arise until after completion occurring under the Sale Agreement described in Section 11.4.1.

Forfeiture
If Shares are acquired under the Deferred Share Plan otherwise than through a salary sacrifice arrangement, a participant will forfeit their Shares on termination of their employment with Valemus prior to a date specified in their invitation letter or in other circumstances which may be specified in their invitation letter. Employees acquiring Shares through a salary sacrifice arrangement will not be at risk of forfeiting their Shares.

Restriction on dealing with Shares
Shares acquired under the Deferred Share Plan may be subject to a disposal restriction such that the participant cannot deal in (that is, sell, transfer or encumber) the Shares for the restriction period specified in the particular employee's invitation. Valemus Limited may implement such arrangements (including a holding lock or escrow deed) as it determines are necessary to enforce this restriction. The restriction period may end earlier if:

- a takeover bid for Valemus Limited in accordance with the Corporations Act is made and holders of not less than 50% of the Shares (not including the Shares under the Deferred Share Plan) which are then on issue have accepted the takeover bid; or
- a scheme of arrangement of Valemus Limited under the Corporations Act or other reorganisation or acquisition of share capital of the Company occurs.

11.7.2.1 Salary Sacrifice Plan Offer

An offer under the Deferred Share Plan will be made prior to Listing to Valemus' Australian employees and invited employees may salary sacrifice up to $5,000 per annum into the Deferred Share Plan upon the completion of the Sale Agreement. Shares under this offer under the Deferred Share Plan will be acquired monthly on-market during the relevant financial year.

Shares purchased in the same financial year under this offer under the Deferred Share Plan will be subject to a restriction period ending on the earlier of:

- three years from the date the Deferred Share Plan Shares were first acquired in that financial year; and
- the employee ceases to be an employee of Valemus.

The Shares acquired under this offer under the Deferred Share Plan will not be subject to a risk of forfeiture.

11.7.2.2 Share Plan Offer

As part of the Priority Offer, an offer under the Deferred Share Plan will be made to a number of senior executives of Valemus (including $1 million in Shares to Peter Brecht and $1.5 million in Shares to Darrell Hendry) and to the Non-Executive Directors (including $100,000 in Shares to each of Nick Greiner, Trevor Bourne and Ken Dean). A further 51 senior managers of Valemus will also be offered to participate in this Share Plan Offer. Under this Share Plan Offer, eligible participants will have the opportunity to subscribe for $7 million of Shares, and if they do so, they will be deemed to have agreed to be bound by the rules of the Deferred Share Plan. No offers (or invitations to offer) will be made under this Share Plan Offer, until the Retail Offer opens following expiry of the Exposure Period (which is expected to occur on Wednesday, 16 June 2010).

BBAG has agreed to fund the issue of these Shares offered under the Share Plan Offer.

On issue of the Shares, and in accordance with the rules of the Deferred Share Plan, they will be held in escrow under voluntary escrow deeds. The escrow arrangements will entitle the holder of the Shares to receive dividends and enjoy all the benefits of membership attached to those Shares, but they will not be able to sell, transfer or otherwise deal in those Shares until the day which is 14 days after Valemus Limited has reported its audited financial results for the year ending 31 December 2011.

There are limited circumstances in which the escrow may be released, namely where:

- a takeover bid for Valemus in accordance with the Corporations Act is made and holders of not less than 50% of the Shares (not including the Shares under the Deferred Share Plan) which are then on issue have accepted the takeover bid; or
- a scheme of arrangement of Valemus under the Corporations Act or other reorganisation or acquisition of share capital of the Company occurs.

The escrow deeds also prevent the escrowed party from giving security over their Shares held under the Deferred Share Plan subject to escrow.

If the relevant executive or Non-Executive Director leaves the employ or service of Valemus prior to 31 December 2011, the Shares will be forfeited in accordance with the rules of the Deferred Share Plan. Those Shares will subsequently be sold, and the proceeds paid to BBAG.

11.8 DIRECTORS' REMUNERATION

Directors' Fees

The Constitution provides that the Non-Executive Directors are entitled to such remuneration, as determined by the Directors, which must not exceed in aggregate the maximum amount determined by the Company in general meeting. Currently, it has been determined that such remuneration will not exceed $1.5 million per annum.

The base fee currently payable to the Chairman is $400,000 per annum (inclusive of participation on committees) and the base fee for each other Non-Executive Director is $120,000 per annum. In addition to these base annual fees, Non-Executive Directors (other than the Chairman) will be paid for their participation on the Audit Committee, the Remuneration and Organisation Committee, and the OHS and Sustainability Committee, as relevant. Payments currently range from $8,000 to $12,000 per annum per Committee, or between $20,000 to $30,000 per annum to act as a chairman of these Committees.

For the remainder of the financial year ending 31 December 2010 following Settlement, it is expected that the fees payable to the current Non-Executive Directors will not exceed approximately $400,000 in aggregate.

The Company has also agreed to pay the Non-Executive Directors, Trevor Bourne and Ken Dean, $53,000 each for their assistance in relation to the Offer.

Other information

Directors may also be reimbursed for travel and other expenses incurred in attending to Valemus' affairs.

Directors may be paid such additional or special remuneration as the Directors decide is appropriate where a Director performs extra work or services which are not in the capacity as a director of the Company or a subsidiary.

There are no retirement benefit schemes for Directors, other than statutory superannuation contributions.

Valemus may adopt a scheme which provides for the Non-Executive Directors of the Company to elect to receive all or part of their Directors' fees in Shares. Any Shares paid to a Director under these provisions will be acquired on market by the Company for the Director.

Directors' shareholdings

Directors are not required under the Constitution to hold any shares in the Company. As at the date of this Prospectus, no Director directly holds shares in the Company. Pursuant to the arrangements referred to in Section 11.7.2.2, Directors will hold Shares on Settlement. The Directors (and their associates) are entitled to apply for Shares in the Offer.

11.9 INTERESTS AND FEES OF CERTAIN PERSONS INVOLVED IN THE OFFER

General interests

This Section sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of the Company; or
- stockbroker to the Offer,

holds at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or in connection with the Offer; or
- the Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given to any such persons for services in connection with the formation or promotion of the Company or the Offer.

Director interests

Other than as set out below or elsewhere in this Prospectus, no Director or proposed Director holds at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or in connection with the Offer; or
- the Offer.

Other than as disclosed in this Prospectus, no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given to a Director or proposed Director:

- to induce a person to become, or qualify as a Director; or
- for services provided by a Director or proposed Director in connection with the formation or promotion of the Company or the Offer.

11.9.1 Interests of professionals

The Company has engaged the following professional advisers:

- Deutsche Bank AG, Sydney Branch, Goldman Sachs JBWere Pty Ltd and Macquarie Capital Advisers Limited have acted as Global Coordinators, Joint Bookrunners and Joint Lead Managers to the Offer. The fees payable to each Global Coordinator are described in Section 11.4.7. Commonwealth Securities and RBS have been appointed as non-bookrunning Joint Lead Managers to the Offer and will each receive, from the Global Coordinators and Joint Bookrunners 4.5% of the base fees payable by Valemus to the Global Coordinators and Joint Bookrunners under the Offer Management Agreement. In addition, Valemus will pay Commonwealth Securities an equity management and selling fee of $2 million (excluding GST), and pay RBS an equity management and selling fee of $5 million (excluding GST). Affiliates of the Global Coordinators and Joint Bookrunners, and of the non-bookrunning Joint Lead Managers, have an interest as lenders under the Bank Guarantee Facility. Affiliates of Commonwealth Securities and RBS are also expected to have an interest as an issuing bank of L/Gs under that facility;
- Each of Commonwealth Securities, Craigs Investment Partners, JBWere, Macquarie Private Wealth, RBS Morgans and Wilson HTM has agreed to act as co-manager to the Offer. They will each be paid a 1.5% commission (including GST) on the value of final firm allocations received by them for the Broker Firm Offer and a 0.75% commission (including GST) on all allocations received by them pursuant to the institutional bookbuild under the Institutional Offer. All of the amounts payable to the co-managers are payable by the Global Coordinators and Joint Bookrunners out of fees payable to them by Valemus;
- Clayton Utz has acted as Australian legal adviser to the Company in relation to the Offer. The Company has paid, or agreed to pay, approximately $1.5 million (excluding disbursements and GST) for these services up until the date of this Prospectus. Further amounts may be paid to Clayton Utz in accordance with its normal time-based rates;
- Ernst & Young and Ernst & Young Transaction Advisory Services Limited have acted as the Investigating Accountant in relation to the Historical Financial Information and Forecast Financial Information, respectively, and they have prepared the relevant Investigating Accountant's Reports and performed work in relation to due diligence enquiries. The Company has paid, or agreed to pay, approximately $1.2 million (excluding disbursements and GST) for the above services up until the date of this Prospectus. Ernst & Young acts as auditor of the Company and BBFA;
- PricewaterhouseCoopers has acted as taxation adviser to the Company in relation to the Offer. The Company has paid or agreed to pay approximately $0.5 million (excluding disbursements and GST) for these services;
- BIS Shrapnel has provided the Company with information and advice regarding the presentation in this Prospectus of the construction and Services industries. The Company has paid, or agreed to pay, approximately $11,000 (excluding disbursements and GST) for the above services up until the date of this Prospectus.

11.10 CONSENTS TO BE NAMED AND DISCLAIMERS OF RESPONSIBILITY

Each of the parties referred to below ("Consenting Parties") has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named:

- Deutsche Bank;
- Goldman Sachs JBWere;
- Macquarie Capital Advisers;
- Commonwealth Securities;
- RBS;
- Clayton Utz;
- Ernst & Young;
- Ernst & Young Transaction Advisory Services Limited;
- PricewaterhouseCoopers;
- Computershare Investor Services Pty Limited;
- BIS Shrapnel;
- HIA;
- Craigs Investment Partners;
- JBWere;
- Macquarie Private Wealth;
- RBS Morgans; and
- Wilson HTM.

None of the Consenting Parties has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, other than as specified in this section. Each Consenting Party, to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below.

- Ernst & Young has given, and not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to being named as the auditor of the Company, and BBFA, and to the inclusion in this Prospectus of its Investigating Accountant's Report on Historical Financial Information in Section 8 (and to the reference to that report in this Prospectus in the form and context in which such references are included);
- Ernst & Young Transaction Advisory Services Limited has given, and not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to the inclusion in this Prospectus of its Investigating Accountant's Report on Forecast Financial Information in Section 8 (and to the reference to that report in this Prospectus in the form and context in which such references are included);

- PricewaterhouseCoopers has given, and not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to the inclusion in this Prospectus of its Independent Taxation Report in Section 9 (and to this reference to that report in this Prospectus in the form and context in which such references are included);
- BIS Shrapnel has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to the inclusion of statements in the Prospectus by it, or based on a statement by it, including the statements specifically attributed to it in the text of, or by footnote in, this Prospectus, in the form and context in which they are included (and all other references to those statements) in this Prospectus; and
- HIA has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to the inclusion of the statements in the Prospectus by it, or based on a statement by it, including the statements specifically attributed to it in the text of, or by footnote in, the Prospectus, in the form and context in which they are included (and all other references to the statements) in the Prospectus.

11.11 EXPENSES OF THE OFFER

If the Offer proceeds, the total expenses of the Offer are estimated at approximately $57 million (based on the mid-point of the Indicative Price Range). This includes advisory, legal, accounting, tax, Listing and administrative fees, the fees of the Global Coordinators and Joint Bookrunners under the Offer Management Agreement (including the discretionary incentive fee), Prospectus design and printing, advertising, marketing, Share Registry and other expenses. This amount will be paid by the Company out of funds raised under the Offer.

11.12 ASX RELIEF

Upon application to ASX for admission to the official list, the Company will apply to ASX for a confirmation or waiver of Listing Rule 10.14 to permit the acquisition of Shares by Non-Executive Directors under the Share Plan Offer without shareholder approval.

11.13 GOVERNING LAW

This Prospectus and the contracts that arise from the acceptance of the Applications and bids are governed by the laws applicable in New South Wales and each Applicant or bidder submits to the exclusive jurisdiction of the courts of New South Wales.

11.14 LEGAL PROCEEDINGS

The construction and infrastructure Services industries in Australia have historically been prone to contractual disputation given the large and complex nature of the projects undertaken and the contractual basis of delivery. Valemus seeks to mitigate the risk of litigation through its risk management framework outlined in Section 5.1.6 and financial reporting procedures designed to ensure the timely identification of potential problems with significant contracts.

When contractual or other legal disputes arise, Valemus typically endeavours to have the dispute resolved as quickly and efficiently as possible. Valemus' accounts contain provisions for the likely outcome of contractual disputes and litigation which are in the opinion of the Directors reasonable given the Directors' view of the likely outcome.

Currently the only litigation involving Valemus Limited and its subsidiaries which the Directors believe to be material is the Blacktown Shopping Centre Litigation which is described in Section 11.4.3.

11.15 STATEMENT OF DIRECTORS

The Directors report that, in their opinion, other than as stated elsewhere in this Prospectus no circumstances have occurred since 31 December 2009 which have materially affected or will materially affect the profitability of the Company or the value of its assets and liabilities, except as disclosed in this Prospectus.

Each of the Directors has given and has not withdrawn his consent to the lodgement of this Prospectus with ASIC.

Uranquinty Power Station, NSW
(Baulderstone/Conneq)

12 GLOSSARY

Term	Meaning
Abigroup	Abigroup Ltd (ABN 63 000 358 467)
ABN	Australian Business Number
ACT	Australian Capital Territory
Applicant	A person who submits an Application
Application	An application to subscribe for Shares under this Prospectus
Application Form	The relevant form attached to or accompanying this Prospectus pursuant to which applicants apply for Shares (including the online application form at www.valemusoffer.com.au)
Application Monies	The amount accompanying an Application Form submitted by an Applicant
ASIC	Australian Securities and Investments Commission
ASTC	ASX Settlement and Transfer Corporation Pty Limited (ABN 49 008 504 532)
ASTC Settlement Rules	The operating rules of ASTC
ASX	Australian Securities Exchange, as operated by ASX Limited (ABN 98 008 624 691)
Bank Guarantee Facility	The new revolving letter of credit and bank guarantee facility as further described in Section 11.4.4
Baulderstone	Baulderstone Holdings Pty Ltd (ABN 50 007 520 381)
BBA	Bilfinger Berger Australia Pty Ltd (ABN 52 106 594 816)
BBA Group	BBA and its subsidiaries
BBAG	Bilfinger Berger AG
BBFA	BB Finance Australia Pty Limited (ABN 18 122 363 295)
BIS Shrapnel	BIS Shrapnel Pty Limited (ABN 20 060 358 689)
Blacktown Shopping Centre Litigation	The legal dispute between Baulderstone Pty Limited and the owner of a shopping centre in Blacktown, Sydney described further in Section 11.4.3
Board	The board of directors of Valemus Limited
Broker	Any ASX participating organisation
Broker Firm Offer	The invitation under this Prospectus to Retail Investors in Australia and New Zealand who have received a firm allocation of Shares from their Broker, as described in Section 3.6.1
CAGR	Compound annual growth rate
CEM	Clough Engineering & Maintenance
CEO	Chief Executive Officer, Peter Brecht
CFO	Chief Financial Officer, Darrell Hendry
CHESS	Clearing House Electronic Subregister System, operated by ASTC
Closing Date	The date on which the Offer is expected to close, being Friday, 2 July 2010 in respect of the Retail Offer or Wednesday, 7 July 2010 in respect of the Institutional Offer. These dates may be varied without prior notice
Commonwealth Securities	Commonwealth Securities Limited (ABN 60 067 254 399)
Company	Valemus Limited (ABN 26 143 320 834)
Conneq	Bilfinger Berger Services (Australasia) Pty Ltd to be renamed Conneq Infrastructure Services (Australasia) Pty Ltd (ABN 76 115 499 691)
Constitution	The constitution of the Company
Corporations Act	Corporations Act 2001 (Cth)
CPRS	Carbon pollution reduction scheme
Craigs Investment Partners	Craigs Investment Partners Limited (ABN 143 656 437)
CY	The calendar financial year ended or ending 31 December, as the context requires
D&C	Design and construct
Deferred Share Plan	The deferred employee share plan of Valemus Limited described in Section 11.7.2
Deutsche Bank	Deutsche Bank AG, Sydney Branch (ABN 13 064 165 162)
Directors	The directors of the Company
DRP	Dividend reinvestment plan
Eastern States	New South Wales, Queensland and Victoria
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation

Term	Meaning
Eligible Employees	Employees of Valemus in Australia and New Zealand as at 5.00pm Sydney Time on Monday, 24 May 2010 who are not in the United States and are not acting for the account or benefit of, US Persons
Employee Offer	The invitation under this Prospectus to Eligible Employees, as described in Section 3.6.2
Employee Offer Applicant	An Applicant under the Employee Offer
EPS	Valemus Limited's earnings per Share
EPS Right	The performance hurdle based on EPS growth (as an annual compound percentage) over the applicable performance period
Existing L/Gs	The letters of credit and bank guarantees which are currently on issue under the existing $770 million bank guarantee facility guaranteed by BBAG and BBA
Expiry Date	The date 13 months after the date of lodgement of this Prospectus
Exposure Period	The waiting period specified in section 727(3) of the Corporations Act, being a minimum period of seven days after the date of lodgement of this Prospectus, during which an Application must not be accepted. ASIC may extend this period to no more than 14 days after the date of lodgement of this Prospectus
Final Price	The price that all Successful Applicants will pay for Shares under the Offer, denominated in Australian dollars (subject to Successful Applicants in the Retail Offer paying the Retail Price)
Financial Information	The Historical Financial Information and the Forecast Financial Information
Forecast Financial Information	The forecast financial information for the Forecast Period, as set out in Section 7
Forecast Period	The period from 1 January 2010 until 31 December 2010
FY	The financial year ended or ending 30 June, as the context requires
GDP	Gross domestic product
Global Coordinators and Joint Bookrunners	Deutsche Bank, Goldman Sachs JBWere and Macquarie Capital Advisers
Goldman Sachs JBWere	Goldman Sachs JBWere Pty Ltd (ABN 21 006 797 897)
Guarantee Facilities	The Bank Guarantee Facility and Surety Bond Facilities
Guarantees	Bank guarantees, insurance, performance and payment bonds or letters of credit
HIA	Housing Industry Association Limited (ABN 99 004 631 752)
HIN	Holder Identification Number
Historical Financial Information	The historical financial information for the Historical Financial Periods, as set out in Section 7
Historical Financial Periods	CY2007, CY2008 and CY2009
i.Power	i.Power Solutions Group (ABN 21 096 286 207)
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
Indicative Price Range	The indicative price range for the Offer of $2.20 to $2.50 per Share
Institutional Investors	Investors who are: – persons in Australia who are wholesale clients under section 761G of the Corporations Act and either "professional investors" or "sophisticated investors" under sections 708(11) and 708(8) of the Corporations Act, and in New Zealand to persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money, pursuant to section 3(2)(a)(ii) of the Securities Act 1978 (NZ), and in either case who are not US Persons and are not acting for the account or benefit of US Persons; – persons who are located in the United States or who are, or are acting for the account or benefit of, US Persons, in each case whom the Global Coordinators and Joint Bookrunners reasonably believe to be "qualified institutional buyers", as defined in Rule 144A under the US Securities Act, in transactions exempt from the registration requirements of the US Securities Act pursuant to Rule 144A under the US Securities Act; – institutional investors in certain other jurisdictions, as agreed by BBAG, the Company and the Global Coordinators and Joint Bookrunners, to whom offers of Shares may lawfully be made without the need for a lodged or registered prospectus or other form of disclosure document or filing with, or approval by, any governmental agency (except one with which the Company is willing in its discretion to comply) and that are not US Persons and are not acting for the account or benefit of US Persons; and such other persons as the Company and the Global Coordinators and Joint Bookrunners may agree to be Institutional Investors.

Term	Meaning
Institutional Offer	The invitation to Institutional Investors in Australia and a number of overseas jurisdictions, made pursuant to this Prospectus, as described in Section 3.7
International Offering Memorandum	The international offering memorandum under which the Institutional Offer will be made in certain overseas jurisdictions, which consists of this Prospectus, a prospectus wrap, and certain other information
Investigating Accountant	Ernst & Young in respect of the report on the Historical Financial Information and Ernst & Young Transaction Advisory Services Limited (ABN 87 003 599 844) in respect of the report on the Forecast Financial Information
Investigating Accountant's Reports	The report in respect of the Historical Financial Information and the report in respect of the Forecast Financial Information prepared by the Investigating Accountant, copies of which are included in Section 8
IPO	Initial public offering
JBWere	JBWere Pty Ltd (ABN 68 137 978 360)
Joint Lead Managers	The Global Coordinators and Joint Bookrunners, Commonwealth Securities and RBS
KPI	Key performance indicator
L/Gs	Letters of credit and bank guarantees
Listing	The admission of the Company to the official list of ASX and quotation of the Shares on ASX
Listing Rules	The official listing rules of ASX
Long Term Incentive Plan	The long term incentive plan established by Valemus Limited described in Section 11.7.1
Macquarie Capital Advisers	Macquarie Capital Advisers Limited (ABN 79 123 199 548)
Macquarie Private Wealth	Macquarie Equities Limited (ABN 41 002 574 923)
Management	The CEO, CFO and other current members of the senior management team of Valemus
Non-Executive Director	A non-executive Director
NPAT	Net profit after tax
NSW	New South Wales
NT	Northern Territory
OECD	Organisation for Economic Co-operation and Development
Offer	The Retail Offer and the Institutional Offer
Offer Management Agreement	The offer management agreement between BBAG, BBBA and the Global Coordinators and Joint Bookrunners, as described in Section 11.4.7
OHS	Occupational health and safety
Pending Contracts	An estimation of the total value of contracts in respect of which Valemus has been identified as the 'preferred' bidder, and where the contract terms have not been finalised or the final contract value has not been agreed (for example, alliance contracts)
PPP	Public-private partnership
Priority Offer	The invitation under this Prospectus to certain investors in Australia and New Zealand by the Company in its sole discretion, as described in Section 3.6.3
Priority Offer Applicant	An Applicant under the Priority Offer
Prospectus	This prospectus, being a prospectus for the purpose of Chapter 6D of the Corporations Act (including the electronic form of this prospectus)
QIB	Qualified institutional buyer, as such term is defined in Rule 144A under the US Securities Act
QIC	QIC Limited (ACN 130 539 123)
QLD	Queensland
Qualifying Circumstances	Death, total and permanent disablement, redundancy or other circumstances determined by the Board
R&D	Research and development
RBS	RBS Equity Capital Markets (Australia) Limited (ABN 17 000 757 111)
RBS Morgans	RBS Morgans Limited (ABN 49 010 669 726)
Retail Investor	An investor who is not an Institutional Investor provided that any such investor may not be in the United States or a person that is, or is acting for the account of benefit of, a US Person
Retail Offer	The Broker Firm Offer, the Employee Offer and the Priority Offer

Term	Meaning
Retail Price	The price that Successful Applicants in the Retail Offer will pay for Shares under the Offer, being the lower of $2.50 and the Final Price
SA	South Australia
Sale Agreement	The share sale agreement between Valemus Holdings and BBAG described further in Section 11.4.1
Section	A section of this Prospectus
Secured Work	The total value of work under signed contracts with customers where the terms have been agreed in full (including work performed to date). For long-term contracts where there is no fixed contract value, an estimate of expected work under the contract is included as Secured Work. This is common in the Services contracts undertaken by Conneq
Separation Deed	The separation deed entered into by Valemus Limited and BBAG described further in Section 11.4.2
Services	Specialist infrastructure asset management and engineering services
Settlement	The settlement in respect of the Shares the subject of the Offer under the Offer Management Agreement
Share	A fully paid ordinary share in the Company
Share Plan Offer	The offer of Shares as part of the Priority Offer made under the Deferred Share Plan described in Section 11.7.2.2
Share Registry	Computershare Investor Services Pty Limited
Shareholder	A registered holder of a Share
SRN	Securityholder Reference Number
Successful Applicant	An Applicant or Institutional Investor who is issued Shares under the Offer
Surety Bond Facilities	The existing surety bond facilities as further described in Section 11.4.5
Sydney Time	Australian Eastern Standard Time
TAS	Tasmania
TSR	Valemus Limited's total Shareholder return
TSR Right	The performance hurdle based on TSR relative to the total shareholder return of a comparator group of entities over the applicable performance period
United States or **US**	United States of America
US Person	Has the meaning given by Regulation S under the US Securities Act
US Securities Act	United States Securities Act of 1933, as amended
Valemus	Valemus Limited and its subsidiaries, including Valemus Businesses as well as BBA, BBFA and VRMS
Valemus Businesses	The three main operating businesses of Valemus, being Abigroup, Baulderstone and Conneq
Valemus Holdings	Valemus Holdings Pty Ltd (ABN 73 143 330 376)
Valemus Limited	Valemus Limited (ABN 26 143 320 834)
VIC	Victoria
VRMS	Valemus Risk Management Services Limited (registered in Guernsey, Channel Islands – registration number OI0426)
WA	Western Australia
Wilson HTM	Wilson HTM Ltd (ABN 68 010 529 665)
Work in Hand	The unperformed value of Secured Work at a particular point in time

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CORPORATE DIRECTORY

Valemus Limited registered office and head office

Valemus Limited
Suite 401
13–15 Lyon Park Road
North Ryde NSW 2113

Global Coordinators and Joint Bookrunners

Deutsche Bank AG, Sydney Branch
Level 16
Deutsche Bank Place
Corner of Hunter and Phillip Streets
Sydney NSW 2000

Goldman Sachs JBWere Pty Ltd
Level 42
Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

Macquarie Capital Advisers Limited
Level 9
1 Martin Place
Sydney NSW 2000

Joint Lead Managers

The Global Coordinators and Joint Bookrunners, as well as

Commonwealth Securities Limited
Ground Floor, Tower 1
201 Sussex Street
Sydney NSW 2000

RBS Equity Capital Markets (Australia) Limited
Level 29
RBS Tower
88 Phillip Street
Sydney NSW 2000

Co-Managers

Commonwealth Securities
Craigs Investment Partners
JBWere
Macquarie Private Wealth
RBS Morgans
Wilson HTM

Australian legal adviser

Clayton Utz
Levels 19–35
1 O'Connell Street
Sydney NSW 2000

Investigating Accountant

Ernst & Young
Ernst & Young Centre
680 George Street
Sydney NSW 2000

Ernst & Young Transaction Advisory Services Limited
Ernst & Young Centre
680 George Street
Sydney NSW 2000

Share Registry

Computershare Investor Services Pty Limited
GPO Box 505
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Corporate websites

Valemus website
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Offer website
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VALEMUS LIMITED