Vault Intelligence Limited

ABN 15 145 040 857

Annual Report - 30 June 2020

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Vault Intelligence Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2020.

Directors

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

David Moylan
Ross Jenkins
Robert Kirtlan
David Rose

Principal activities

During the financial year the principal continuing activities of the Group consisted of the provision of cloud-based and mobile environmental, health and safety risk software (EHS) software.

Dividends

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

Review of operations

The Board is pleased with the progress of the business during the year ended 30 June 2020. Some highlights include positive achievements in several key metrics including, revenue growth of 30%, new and significant contract signings, total cash receipts, and continued interest in the Solo product as both the product matures and brand awareness continues to build.

Vault continues to monitor our Key Performance Indicators (KPI's) to improve efficiencies and performance across all areas of the business. Key areas of focus have been sales and marketing, alliances and channels as well as streamlining operations and resources to minimise expenses and cash burn. Accelerating returns from existing contracts has also been targeted to improve cash flow.

Technical Developments

Following the March 2019 deployment of the Vault Solo product, the Group continued to add new capabilities and customer value to the product. The Group's focus on customer driven development led to continued execution of significant contracts, with a clear value proposition to locate, connect and protect workforces, in turn leading to improved business performance.

Significant new or enhanced features of Vault Solo delivered in the period includes: driver behaviour monitoring and management (SoloDrive), contact tracing (Solo), geo-fencing (Solo), incident detection and alerting, bespoke aged care wearables, 3rd party emergency response integrations, beacon identification and location, vehicle collision detection, fall detection on wearable devices and integration with mental health & wellbeing solutions. Vault Enterprise development has also progressed with new capabilities developed and deployed to meet specific customer requirements. In addition to product enhancements, Vault also completed the design and migration of underlying infrastructure to a single cloud-based platform, improving security, enhancing performance and reducing cost.

The Group will continue to invest in Solo to make this available on other hardware platforms in order to meet customer demand, especially within the aged care space, which has proven successful and is a key vertical for Vault in future.

The Group continues to monitor technological developments in the wearables and monitoring space to assess how new and emerging technologies can enhance the Vault service offering and ultimately, improve the performance, productivity and safety of our customer's workers.

Financial Performance

The loss for the Group after providing for income tax amounted to $7,931,727 (2019 loss: $4,635,078). A large component of the loss was the commitment to developing new capabilities and enhancing existing capabilities in the product, necessitating more developers, implementers, support and training specialists. A portion of this loss has been offset by the receipt of R&D tax incentive grants in Australia and New Zealand.

Significant changes in the state of affairs

Coronavirus (COVID-19)

COVID-19 has had a significant impact on global and local economies. To adapt to the evolving business and economic conditions, Vault implemented a number of measures to maintain business operations:

- Reduction in group overheads to limit operational cash burn through contract renegotiations and reduction in suppliers
- A remote/work from home model that allowed all staff to continue to be fully utilised
- Temporary concessions to customers with respect to payment and subscription terms to assist them in maintaining business continuity
- Access to Government grants and subsidies where eligible

Through the period of March to June 2020, the Group has not experienced a significant increase in subscriber churn rate, though some customers have reduced their commitment to Vault services. The churn rate through this four month period was an average of 0.75% per month. This compares to an average churn rate of 0.27% on the 3 months prior (December 2019 to February 20) and 1.25% for the period March 2019 to June 2019. The Directors are confident that this is a reflection of the quality of the Group's service that it provides organisations.

With respect to Australia, the business did suffer a reduction of 30% of GST turnover for the June 2020 quarter, entitling the Group (after satisfying all other eligibility requirements) to access the Jobkeeper program. The Directors are confident that while there was a reduction in turnover for this period, new customers have commenced subscriptions to Vault services in Singapore and New Zealand which will offset the revenue impacts into FY21.

Since 30 June 2020, the COVID-19 situation in Victoria, and particularly in Melbourne where Vault's Australian operations are based, has worsened. This includes the implementation of:

- Melbourne wide stage 3 restrictions announced on 7 July 2020; and
- Melbourne wide stage 4 restrictions that took effect from 2 August 2020.

The enactment of these new restrictions is not expected to have a material impact on the Group. Vault's Victorian workforce has predominantly worked from home since March 2020 and most did not return to Vault's Melbourne office when those initial restrictions were lifted. While the implementation of restrictions does make conducting business with potential new customers more challenging, and may result in customers deferring decisions on subscribing to Vault's products, Vault's Melbourne operations continues to be able to trade.

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

Events since the end of the financial year
Proposed acquisition by Damstra

On 8 July 2020, the Group announced it has entered into a Scheme Implementation Deed under which it is proposed that Damstra Holdings Limited (Damstra) (ASX: DTC) will acquire 100% of the equity interest in Vault by way of a scheme of arrangement (Scheme). The Scheme is subject to shareholder approval.

Under the Scheme, the Damstra will acquire 100% of the Vault equity by way of a scrip offer. It is proposed that Vault shareholders will receive 1 Damstra ordinary share for every 2.9 Vault shares that they hold at the record date. Vault will become a wholly-owned subsidiary of Damstra upon implementation of the proposed scheme.

It is anticipated the Scheme meeting of shareholders will take place on 2 October 2020 and, subject to gaining shareholder approval, the Scheme will be implemented on 19 October 2020.

Each of Vault's Directors considers the Scheme to be in the best interests of Vault's shareholders and unanimously recommend Vault's shareholders vote in favour of the Scheme, subject to no superior proposal emerging and an independent expert determining that the Scheme is in the best interests of Vault's shareholders.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Outlook
Whilst conscious of the challenges of operating in a COVID-19 environment your Directors remain confident about the future trading prospects of the business. The Group has signed a significant number of contracts during the financial year that are progressively being implemented and starting to generate revenue and cash. Based on this confidence the Directors have provided Revenue guidance of $8m for FY21, an increase of over 60% on FY20.

Company secretary
Todd Perkinson: Appointed 30 April 2020. Member of Chartered Accountants (CA ANZ) since 2001 & Bachelor of Commerce degree, majoring in Accounting & Commercial Law. Mr Perkinson has held senior roles across NZ & Australia as CEO (RDNS Australia), COO (POS) or Acting CFO (Nimble Australia & NZ Healthcare Providers) including at IBM within Global Transformation. Mr Perkinson bring strong strategic, operations and commercial acumen, with focus on people, to enable improved business performance.

Graeme Smith: Resigned 30 April 2020. Mr Smith is the principal of Wembley Corporate Services Pty Ltd which provide corporate secretarial, CFO and governance services. Mr Smith has over 25 years' experience in company secretarial work. Mr Smith is a non-executive Director of Anglo Australian Resources NL

Meetings of Directors
The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2020, and the number of meetings attended by each Director were:

	Full Board		Nomination and Remuneration Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
David Moylan	8	8	-	-	-	-
Ross Jenkins	8	8	2	2	2	2
David Rose	8	8	-	-	-	-
Robert Kirtlan	8	8	2	2	2	2

Held: represents the number of meetings held during the time the Director held office or was a member of the relevant committee.

Information on Directors

Name:	Ross Jenkins
Title:	Non-Executive Chairperson
Experience and expertise:	Ross was appointed a Director of Vault 13 July 2018 and appointed chair on 21 March 2019. Ross has over 30 years in the technology sector in executive roles including CFO/COO of Xero during a pivotal period of growth and eventual success. Ross is an experienced Director in the technology sector, having led a number of high growth technology companies. A pragmatic strategist with a focus on customer experience and smart execution to deliver long term growth and business success. Ross holds a Bachelor of Commerce and Administration (BCA) at Victoria University of Wellington and is currently an executive Director of The Instillery, a successful technology integration company, and chairs the Advisory Board of Earshot Earphones, a revolutionary sport earphone company.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Special responsibilities:	Chairperson Audit Committee Member Chair of the Remuneration Committee
Interests in shares:	500,000 Ordinary shares

Name:	David Moylan
Title:	Managing Director
Experience and expertise:	David is the founder, Chief Executive Officer and Managing Director of Vault Intelligence. David has over 25 years' experience as a risk management specialist including senior roles at Shell Exploration in China, Air New Zealand and the Australian Defence Forces. Prior to these roles, David was an Officer in the Australian Army and rose to the rank of Lieutenant Colonel, holding the appointment of Director of Safety and Risk. David holds a Masters in Strategic Management and a Bachelor in Social Science and Occupational Hygiene.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Special responsibilities:	Managing Director Chief Executive Officer
Interests in shares:	8,017,484 Ordinary shares

Name:	David Rose
Title:	Executive Director
Experience and expertise:	David was appointed a Director on 29 September 2017 and appointed COO/CIO on 30 January 2019. David has over 20 years' experience in the technology sector including senior executive roles at Optus, Suncorp, Watpac and Opteon. Prior to these roles, David was an Officer in the Australian Army. David holds a Masters of Science (UNSW), MBA (AGSM), Graduate Certificates in Risk Management and Information Technology Management and is a Member of the Australian Institute of Company Directors.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Special responsibilities:	Chief Operating Officer
Interests in shares:	155,198 Ordinary shares

Name:	Rob Kirtlan
Title:	Non-Executive Director
Experience and expertise:	Robert has a background in accounting, finance and management involving public and private companies prior to working for major investment banks in Sydney and New York. During this period, he was principally involved in arranging debt and equity globally for major and emerging resource companies. Since 2001, he has been working and investing in a range of established and emerging resource and technology companies.
Other current directorships:	Currie Rose Resources Inc - appointed 25 October 2015 Renegade Exploration Limited - appointed 23 May 2017
Former directorships (last 3 years):	RMG Ltd - appointed 29 April 2011 and resigned on 30 June 2019
Special responsibilities:	Chair of the Audit Committee Remuneration Committee member
Interests in shares:	895,181 Ordinary shares

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

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

Remuneration report

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

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

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

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

Principles used to determine the nature and amount of remuneration

The remuneration policy of Vault Intelligence Limited has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long term incentives based on key performance areas affecting the Group's financial results. The Board of Vault Intelligence Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the Group, as well as create goal congruence between Directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for key management personnel of the Group is as follows:

Non-executive Directors remuneration

The Board's policy is to remunerate non executive Directors at market rates for time, commitment and responsibilities. The Board determines payments to the non executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required (not sought for year ended 30 June 2020). The maximum aggregate amount of fees that can be paid to non executive Directors is subject to approval by shareholders at the Annual General Meeting. This was set at $300,000 at a general meeting held on 10 September 2010.

All non-executive Directors receive a base fee and incentives in the form of options intended to align the interest of the Directors with those of shareholders.

Executive remuneration
Executive KMP remuneration is set by the Remuneration Committee and broadly consists of:

- a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options and performance incentives
- short-term incentives paid in cash based on achieving annual targets, bot financial and non-financial
- Incentives paid in the form of options or rights are intended to align the interests of the Directors and company with those of the shareholders. In this regard, key management personnel are prohibited from limiting risk attached to those instruments by use of derivatives or other means. Options or performance incentives issued during the year pertain to hurdles for subsequent periods.

The performance of key management personnel is measured against criteria agreed annually with each Director and is based predominantly on workload, responsibility and creation of shareholders' value. The creation of shareholder value is primarily created through the acquisition, retention and subscription growth of customers, through the measurement of Contracted Annualised Recurring Revenue (CARR) and Annualised Recurring Revenue (ARR). The policy is designed to attract the highest calibre of executives and reward them for performance that results in long term growth in shareholder wealth. Prevailing economic considerations are also a consideration.

Key management personnel in Australia receive a superannuation guarantee contribution (SGC) required by the government, which was: 9.5% of Ordinary Time Earnings (2019: 9.5%) and do not receive any other retirement benefits. Where applicable, KMP's residing in New Zealand are paid in accordance with legislated requirements.

Upon retirement, key management personnel are paid employee benefit entitlements accrued to the date of retirement.

Link between remuneration and performance
Executive KMP performance-based remuneration includes short term incentives paid in cash for hitting agreed targets and long-term incentives in the form of granting of options.

The remuneration policy has been tailored to increase goal congruence between shareholders, Directors and executives. The issue of options to the majority of Directors and executives is to encourage the alignment of personal and shareholder interests. The company believes this policy will be effective in increasing shareholder wealth and will utilise the Employee Incentive Scheme accordingly.

Description	30 June 2020	30 June 2019^	30 June 2018	30 June 2017	30 June 2016 Restated
Software and other revenue	4,622,940	$3,567,159	$3,027,255	$2,752,972	$2,721,965
Net (loss) before tax	$(7,931,727)	$(4,111,268)	$(2,723,581)	$(3,435,685)	$(2,494,180)
Net (loss) after tax	$(7,931,727)	$(4,111,268)	$(2,723,581)	$(3,474,457)	$(2,494,180)
Share price at end of year	$0.30	$0.14	$0.023	$0.029	$0.02
Market capitalisation	$30.9m	$29.3m	$19.8m	$20.2m	$11.3m
Basic (loss) per share	(6.518) cents	(4.668) cents	(0.340) cents	(0.558) cents	(0.971) cents

^The Group undertook a 1:10 share consolidation in November 2018.

Voting and comments made at the company's 2019 Annual General Meeting ('AGM')
At the 25 November 2019 AGM, 99.9% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2019. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

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

The key management personnel of the Group consisted of the following Directors of Vault Intelligence Limited:
- Ross Jenkins
- David Moylan
- David Rose
- Robert Kirtlan

The following tables show details of the remuneration expenses recognised for the Group's key management personnel for the current and previous financial year measured in accordance with the requirements of the accounting standards.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2020	Cash salary and fees $	Cash bonus $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled $	Total $
Non-Executive Directors:							
Ross Jenkins	65,453	-	-	-	-	50,822	116,275
Robert Kirtlan	135,000	-	-	-	-	52,921	187,921
Executive Directors:							
David Moylan	328,234	246,374	24,623	55,344	-	98,117	752,692
David Rose	290,780	167,667	-	21,003	2,267	82,922	564,639
	819,467	414,041	24,623	76,347	2,267	284,782	1,621,527

Cash bonuses and performance related bonuses

David Moylan received a cash bonus during the financial year of $131,053 in respect of the achievement of the Group's target of $6m CARR for the prior year, combined with the signing of key customer contracts in the first half of FY20. An accrued bonus for FY20 performance of $115,321 was in respect of the Group achieving $10m CARR, achieved in FY20 and payable in early FY21.

David Rose received a cash bonus during the financial year of $67,667 in respect of the achievement of the Group's target of $6m CARR for the prior year, combined with the signing of key customer contracts in the first half of FY20. An accrued bonus for FY20 performance of $100,000 was in respect of the Group achieving $10m CARR, achieved in FY20 and payable in early FY21.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2019	Cash salary and fees $	Cash bonus $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled $	Total $
Non-Executive Directors:							
Ross Jenkins	53,410	-	-	-	-	53,930	107,340
Robert Kirtlan	145,000	-	-	-	-	14,093	159,093
Evonne Collier	56,000	-	-	-	-	-	56,000
Executive Directors:							
David Moylan	288,613	-	-	48,919	-	12,289	349,821
David Rose	171,605	-	-	10,266	-	5,637	187,508
	714,628	-	-	59,185	-	85,949	859,762

Payments for additional executive services

The remuneration tables above show payments made to Ross Jenkins and Robert Kirtlan include Directors fees and fees for additional executive services provided to the Group. Details of these payments are below.

	Consolidated 2020 $	Consolidated 2019 $
Ross Jenkins		
Directors fees	62,607	43,068
Additional executive services	2,846	10,342
	65,453	53,410
Robert Kirtlan		
Directors fees	36,000	85,000
Additional executive services	99,000	60,000
	135,000	145,000

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	2020	2019	2020	2019	2020	2019
Non-Executive Directors:						
Ross Jenkins	56%	50%	-	-	44%	50%
Robert Kirtlan	72%	91%	-	-	28%	9%
Evonne Collier	-	100%	-	-	-	-
Executive Directors:						
David Moylan	54%	97%	33%	-	13%	3%
David Rose	55%	97%	30%	-	15%	3%

All non-executive Directors are remunerated on a monthly basis with no fixed term or termination benefits.

Terms of employment require that the relevant Group entity provide an executive contracted person with a minimum of 3 month's notice prior to termination of contract. No termination payments are generally payable. A contracted person deemed employed on a permanent basis may terminate their employment at any time.

There have not been any alterations to the terms or conditions of any grants since grant date.

Share-based compensation

Shareholdings
The tables below show a reconciliation of ordinary shares held by each KMP from the beginning to the end of each financial year.

	Balance at the start of the year	Granted as remuneration during the year	On-market purchases	Other changes during the year	Share consolidation (1:10)	Balance at the end of the year
Consolidated entity 2020						
Ross Jenkins	500,000	-	-	-	-	500,000
David Moylan	8,017,484	-	-	-	-	8,017,484
Robert Kirtlan	895,181	-	-	-	-	895,181
David Rose	141,500	-	13,698	-	-	155,198
	9,554,165	-	13,698	-	-	9,567,863
Consolidated entity 2019						
Ross Jenkins	-	-	5,000,000	-	(4,500,000)	500,000
David Moylan	80,174,839	-	-	-	(72,157,355)	8,017,484
Robert Kirtlan	8,951,804	-	-	-	(8,056,623)	895,181
David Rose	915,000	-	50,000	-	(823,500)	141,500
	90,041,643	-	5,050,000	-	(85,537,478)	9,554,165

Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of Directors and other key management personnel in this financial year or future reporting years are as follows:

Name	Number of options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
Ross Jenkins	500,000	25 Nov 2019	Subject to conditions	30 Sep 2023	$0.30	$0.234
Ross Jenkins	200,000	25 Nov 2019	Subject to conditions	23 Nov 2021	$0.30	$0.250
David Moylan	2,000,000	25 Nov 2019	Subject to conditions	30 Sep 2023	$0.30	$0.250
David Rose	1,000,000	25 Nov 2019	Subject to conditions	30 Sep 2023	$0.30	$0.250
David Rose	1,000,000	25 Nov 2019	Subject to conditions	30 Sep 2023	$0.32	$0.248
Robert Kirtlan	1,000,000	25 Nov 2019	Subject to conditions	30 Sep 2023	$0.30	$0.250

Refer to note 23 for the vesting conditions of the options issued during the period.

Options granted carry no dividend or voting rights.

The tables below show a reconciliation of options held by each KMP from the beginning to the end of FY20

	Opening balance	Granted as compensation	Security consolidation	Lapsed options	Vested and exerciseable	Weighted average exercise price	Balance at the end of the year
Consolidated entity 2020							
Ross Jenkins	1,100,000	700,000	-	-	900,000	$0.30	1,800,000
David Moylan	1,000,000	2,000,000	-	-	-	$0.38	3,000,000
David Rose	200,000	2,000,000	-	-	100,000	$0.33	2,200,000
Robert Kirtlan	500,000	1,000,000	-	-	250,000	$0.38	1,500,000
	2,800,000	5,700,000	-	-	1,250,000		8,500,000
Consolidated entity 2019							
Ross Jenkins	-	11,000,000	(9,900,000)	-	500,000	$0.30	1,100,000
David Moylan	10,000,000	10,000,000	(18,000,000)	(1,000,000)	-	$0.55	1,000,000
David Rose	2,000,000	-	(1,800,000)	-	-	$0.55	200,000
Robert Kirtlan	8,000,000	-	(7,200,000)	(300,000)	-	$0.55	500,000
Evonne Collier	-	4,000,000	(3,600,000)	(400,000)	-	$0.00	-
	20,000,000	25,000,000	(40,500,000)	(1,700,000)	500,000		2,800,000

The proposed acquisition with Damstra Holdings, if successful, would result in employee held options being paid out at \$0.42c less the appropriate exercise price for each individually held option. All Director & executive options would roll into Damstra Holdings with the same vesting conditions and the price and number of options would convert at a factor of 2.9 Vault options for 1 Damstra option for each respective option held.

This concludes the remuneration report, which has been audited.

Shares issued on the exercise of options

There were no ordinary shares of Vault Intelligence Limited issued on the exercise of options during the year ended 30 June 2020 and up to the date of this report.

Indemnity and insurance of officers

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

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

Indemnity and insurance of auditor

To the extent permitted by law and professional regulations, the Group has agreed to indemnify its auditors, PricewaterhouseCoopers as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount).

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors' report.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the Corporations Act 2001.

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

On behalf of the Directors

Ross Jenkins
Chair

26 August 2020

Auditor's Independence Declaration

As lead auditor for the audit of Vault Intelligence Limited for the year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Vault Intelligence Limited and the entities it controlled during the period.

Brad Peake
Partner
PricewaterhouseCoopers

Melbourne
26 August 2020

Vault Intelligence Limited
Contents
For the year ended 30 June 2020

General information

The financial statements are presented in Australian dollars ($)

Vault Intelligence Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 18
1 Nicholson St
East Melbourne VIC 3002

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 26 August 2020. The Directors have the power to amend and reissue the financial statements.

All press releases, financial reports and other information are available at our Shareholder's Centre on our website: www.vaultintel.com

Vault Intelligence Limited
Consolidated statement of comprehensive income
For the year ended 30 June 2020

	Note	Consolidated 2020 $	Consolidated 2019 $
Revenue			
Software revenue	4	4,397,107	3,116,631
Other revenue	4	225,833	450,528
Total operating revenue		4,622,940	3,567,159
Cost of revenue		(1,701,947)	(1,572,394)
		2,920,993	1,994,765
Expenses	6		
Sales and marketing		(3,520,428)	(2,432,090)
Product design and development		(988,542)	(954,507)
Loss on disposal of assets		(46,811)	-
General and administration		(5,053,750)	(3,176,039)
Depreciation and amortisation		(1,742,469)	(833,548)
Government grants	5	543,596	765,951
Operating deficit		(7,887,411)	(4,635,468)
Interest received		14,346	31,768
Interest expense		(58,662)	(31,378)
Loss before income tax expense		(7,931,727)	(4,635,078)
Income tax expense	7	-	-
Loss after income tax expense for the year attributable to the owners of Vault Intelligence Limited		(7,931,727)	(4,635,078)
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation reserve differences		114,331	(125,247)
Other comprehensive income/(loss) for the year, net of tax		114,331	(125,247)
Total comprehensive loss for the year attributable to the owners of Vault Intelligence Limited		(7,817,396)	(4,760,325)
		Cents	**Cents**
Basic earnings per share	24	(6.518)	(4.668)
Diluted earnings per share	24	(6.518)	(4.668)

The Group has changed the method of presentation of its Profit or loss statement for the year ended 30 June 2020. See Note 3(c) for further details.

Vault Intelligence Limited
Consolidated balance sheet
As at 30 June 2020

	Note	Consolidated 2020 $	2019 $
Assets			
Current assets			
Cash and cash equivalents	8	3,023,540	2,432,906
Trade and other receivables	9	760,688	596,118
Total current assets		3,784,228	3,029,024
Non-current assets			
Property, plant and equipment	13	175,088	223,112
Intangible assets	14	4,000,947	2,901,263
Other non-current assets		-	55,108
Term and security deposits		121,298	452,018
Right-of-use assets	15	646,168	-
Total non-current assets		4,943,501	3,631,501
Total assets		8,727,729	6,660,525
Liabilities			
Current liabilities			
Trade and other payables	10	1,790,945	1,083,554
Borrowings	11	-	123,621
Employee benefits	16	413,121	265,698
Provisions	19	162,104	-
Deferred revenue	12	1,580,578	1,548,765
Lease liabilities - current	17	98,909	14,935
Deferred grant revenue - current	20	407,250	-
Total current liabilities		4,452,907	3,036,573
Non-current liabilities			
Employee benefits	16	37,773	18,861
Lease liabilities - non current	18	742,578	83,622
Deferred grant revenue - non current	21	217,589	-
Total non-current liabilities		997,940	102,483
Total liabilities		5,450,847	3,139,056
Net assets		3,276,882	3,521,469
Equity			
Issued capital	22	29,866,302	22,686,132
Reserves	23	1,236,160	659,958
Accumulated losses		(27,825,580)	(19,824,621)
Total equity		3,276,882	3,521,469

The above consolidated balance sheet should be read in conjunction with the accompanying notes

Vault Intelligence Limited
Consolidated statement of changes in equity
For the year ended 30 June 2020

Consolidated	Issued capital $	Option reserve $	Foreign currency translation reserve $	Retained profits $	Total equity $
Balance at 1 July 2018	17,901,068	815,982	(125,939)	(15,189,543)	3,401,568
Loss after income tax expense for the year	-	-	-	(4,635,078)	(4,635,078)
Other comprehensive loss for the year, net of tax	-	-	(125,247)	-	(125,247)
Total comprehensive loss for the year	-	-	(125,247)	(4,635,078)	(4,760,325)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 22)	4,785,064	-	-	-	4,785,064
Share-based payments (note 33)	-	95,162	-	-	95,162
Balance at 30 June 2019	22,686,132	911,144	(251,186)	(19,824,621)	3,521,469

Consolidated	Issued capital $	Option reserve $	Foreign currency translation reserve $	Retained profits $	Non-controlling interest $	Total equity $
Balance at 1 July 2019	22,686,132	911,144	(251,186)	(19,824,621)	-	3,521,469
Adjustment for change in accounting policy	-	-	-	(69,232)	-	(69,232)
Balance at 1 July 2019 - restated	22,686,132	911,144	(251,186)	(19,893,853)	-	3,452,237
Loss after income tax expense for the year	-	-	-	(7,931,727)	-	(7,931,727)
Other comprehensive income for the year, net of tax	-	-	114,331	-	-	114,331
Total comprehensive income/(loss) for the year	-	-	114,331	(7,931,727)	-	(7,817,396)
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs (note 22)	7,180,170	-	-	-	-	7,180,170
Share-based payments (note 33)	-	461,871	-	-	-	461,871
Balance at 30 June 2020	29,866,302	1,373,015	(136,855)	(27,825,580)	-	3,276,882

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

Vault Intelligence Limited
Consolidated statement of cash flows
For the year ended 30 June 2020

	Note	Consolidated 2020 $	Consolidated 2019 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		5,175,947	4,576,987
Payments to suppliers and employees (inclusive of GST)		(10,234,115)	(8,298,076)
Other income - Government grants		428,551	765,951
		(4,629,617)	(2,955,138)
Interest received		15,693	31,768
Interest and other finance costs paid		(13,253)	(29,223)
Net cash used in operating activities	32	(4,627,177)	(2,952,593)
Cash flows from investing activities			
Payments for property, plant and equipment	13	(112,686)	(85,798)
Payments for intangibles	14	(2,653,006)	(1,455,167)
Payment for other assets		-	(19,438)
Proceeds from release of security deposits		328,319	-
Proceeds from government grants		709,990	-
Net cash used in investing activities		(1,727,383)	(1,560,403)
Cash flows from financing activities			
Proceeds from issue of shares	22	7,524,000	5,008,750
Proceeds from borrowings		-	51,119
Share issue transaction costs		(343,830)	(223,686)
Repayment of borrowings		(51,431)	(25,311)
Repayment of lease liabilities		(94,573)	-
Net cash from financing activities		7,034,166	4,810,872
Net increase in cash and cash equivalents		679,606	297,876
Cash and cash equivalents at the beginning of the financial year		2,360,715	2,133,121
Effects of exchange rate changes on cash and cash equivalents		(16,781)	(70,282)
Cash and cash equivalents at the end of the financial year	8	3,023,540	2,360,715

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

1. Significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements to the extent they have not already been disclosed in the other notes below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of Vault Intelligence Limited and its subsidiaries.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

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

AASB 16 Leases

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

See note 3 for the impact of adoption of this standard.

Going concern

For the year ended 30 June 2020, the Group has incurred operating losses of $7,931,727 (2019: $4,635,078) and incurred net cash outflows from operating activities of $4,627,177 (2019: $2,952,593). The financial statements have been prepared on a going concern basis as the Directors are satisfied that the Group's cash balance (net of overdrafts) of $3,023,540 is adequate to enable the Group to meet its committed operational expenditure for at least twelve months from the date of this financial report. The Directors have based this on the following pertinent matters:

- As outlined in Note 33, On 8 July 2020, the Group announced that it has entered into a Scheme Implementation Deed under which it is proposed that Damstra Holdings Limited (Damstra) will acquire 100% of the equity interest in Vault by way of a scheme of arrangement (Scheme). The Scheme is supported by the Directors and if approved by Shareholders would be implemented on 19 October 2020. Any future support post this date would be provided by Damstra.
- Should the Scheme not be approved, the Group's sales pipeline expects increased revenues and cash inflows, primarily from the sale of newly developed products as well as expanding into new markets, has the capacity to reduce its operating cost structure if necessary, or raise new equity as it successfully did in 2018 and in 2019.

This determination is dependent either on a successful implementation of the Scheme or on the Group achieving its forecast growth in sales. In addition, the Group's operational expenditure forecasts do not include any significant committed capital expenditure over this period. Should the Group commit to any significant expenditure on software or business development in excess of that budgeted, they may need to raise additional working capital prior to doing so. As a result of these matters, there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. However, the Directors believe that the Group will be successful in the above matters and, accordingly, have prepared these financial statements on a going concern basis.

1. Significant accounting policies (continued)

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

Historical cost convention
These financial statements have been prepared under the historical cost basis.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 34.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Vault Intelligence Limited ('company' or 'parent entity') as at 30 June 2020 and the results of all subsidiaries for the year then ended. Vault Intelligence Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

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

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

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

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

Foreign currency translation
The financial statements are presented in Australian dollars, which is Vault Intelligence Limited's functional and presentation currency.

Foreign currency transactions
Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

1. Significant accounting policies (continued)

Foreign operations
The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

Sale of subscription contracts
The Group sells subscriptions to its cloud based and mobile EHS software solutions. Customers make monthly, quarterly, half-annually or annual up-front subscription payments to access the software, cloud based storage for databases and access to an online helpdesk. The software licence cannot be separated from the cloud based delivery mechanism and therefore the combined service is accounted for as a single performance obligation, recognised over the relevant subscription period on a straight-line basis.

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

Consulting, training, implementation and data migration services
The Group provides EHS consulting services on using the Vault software and implementation assistance to transfer existing data onto the Vault system as separate services, typically at the inception of a contract with a customer. These services have distinct deliverables and revenue is recognised when the services are delivered over time, based on their relative stand-alone selling price. Implementation fees are billed prior to the commencement of a contract, however they are accounted for over time in line with the subscription period on a straight-line basis

Interest income
Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

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

Income tax
The income tax expense or credit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting year in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

1. Significant accounting policies (continued)

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting year and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Vault Intelligence Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

Current and non-current classification
Assets and liabilities are presented in the balance sheet based on current and non-current classification.

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

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

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the balance sheet.

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

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

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

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

1. Significant accounting policies (continued)

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

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

Impairment of financial assets
The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost

For financial assets (other trade and lease receivables) measured at amortised costs the measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

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

The Group has not made further adjustments to its assessment of credit risk as a result of COVID-19 on the following basis:

- Most subscribers are invoiced 1 month ahead of their service period. If a customer was seeking to cancel, this would be communicated before the service commenced and therefore no service would be provided.
- As the Group's services form a critical part of most businesses health and safety management, it is not a discretionary spend of customers and therefore there is a lower likelihood of a customer not paying.
- Through the initial March-April COVID lockdowns in Australia and New Zealand, the practical experience was that customers continued to pay for the Group's services and there was no material increase in customer losses. Therefore the Group forms the view that no additional credit risk adjustment is required at 30 June 2020.

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

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives. Refer to note 13 for further information.

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

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

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

1. Significant accounting policies (continued)

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

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

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

Software
Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available;
- there is an ability to use or sell the software; and
- he expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use

Impairment of non-financial assets
Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

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

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

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

1. Significant accounting policies (continued)

Lease liabilities
A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

Extension and termination options are included on the property lease for the Christchurch office. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. None of the total lease payments made were optional.

Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

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

Employee benefits

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

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

Share-based payments
Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

1. Significant accounting policies (continued)

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either a third party Trinomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option. Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

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

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

Issued capital
Ordinary shares are classified as equity.

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

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

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

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

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

1. Significant accounting policies (continued)

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

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

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

Earnings per share

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

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

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

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

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

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2020. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations. The below list of standards and amending standards are not effective for the 2019-20 reporting period

- Annual Improvements 2015–2017 Cycle (AASB 2018-1) – This standard makes amendments to AASB 3 Business Combinations, AASB 11 Joint Arrangements, AASB 112 Income Taxes and AASB 123 Borrowing Costs.

2. Critical accounting judgements, estimates and assumptions

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

Coronavirus (COVID-19) pandemic
COVID-19, which is a respiratory illness caused by a new virus, was declared a world-wide pandemic by the World Health Organisation in March 2020. COVID-19, as well as measures to slow the spread of the virus, have since had a significant impact on global and local economies. The Group has considered the impact of COVID-19 and other market volatility in preparing its financial statements.

While the specific areas of judgement within the financial statements have not changed, the impact of COVID-19 has resulted in the application of further judgement within areas such as asset impairment and credit loss risk. Given the dynamic and evolving nature of COVID-19, limited recent experience of the economic and financial impacts of such a pandemic, and the short duration between the declaration of the pandemic and the preparation of these financial statements, changes to the estimates and outcomes that have been applied in the measurement of the Consolidated Entity's assets and liabilities may arise in the future. The impact of events that arise after the reporting period will be accounted for in future reporting periods.

Share-based payment transactions
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either a third party Trinomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Revenue recognition
In identifying performance obligations created under the sale of subscription contracts, a judgement has been made that the software licence cannot be separated from the cloud based delivery mechanism and therefore the combined service is accounted for as a single performance obligation, recognised over the relevant subscription period on a straight line basis.

Estimation of useful lives of intangible assets
The Group recognises intangible assets related to its internally developed EHS software products. The Group estimates the useful life of the software to be at least 3 years based on the expected technical obsolescence of such assets. However the actual useful life may be shorter or longer than 3 years, depending on technical innovations and competitor actions. Refer to note 14 for further information.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions. Judgement was applied in determining that no impairment triggers were identified during the current financial year.

Capitalisation of development costs to intangible assets
The Group's process for calculating the capitalised value of internally developed software involves judgement as it includes estimating time which staff spend developing software and determining the value attributable to that time. This involves an analysis of work performed during the period in accordance with development logs and other supporting documentation.

3. Changes in accounting policies

This note explains the impact of the adoption of AASB 16 *Leases* on the Group's financial statements and discloses the new accounting policies that have been applied from 1 July 2019.

The Group has adopted AASB 16 from 1 July 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

(a) Adjustments recognised on adoption of AASB 16

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 4.91%.

The Group has one lease that was subject to the operations of AASB 16, being the lease of its business premises in Christchurch, New Zealand. Payments for this lease were previously recognised as rent expenses.

	$
Operating lease commitments disclosed as at 30 June 2019	389,125
(Less): short-term leases recognised on a straight-line basis as an expense relating to Melbourne and Perth offices	(131,846)
(Less): discount using lessee's incremental borrowing rate at the date of application	(25,379)
Add: adjustments as a result of a different treatment of extension option for Christchurch premises	624,176
Lease liability recognised as at 1 July 2019	856,076
Current lease liabilities	78,464
Non-current lease liabilities	777,612
	856,076

The associated right-of-use assets for property leases were measured on a modified retrospective basis which is calculated as if the standard had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	30 June 2020 $	1 July 2019 $
Properties	646,168	744,867

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:

- Right-of-use assets - increase by $744,867
- Lease liabilities - increase by $856,076
- Prepayments - increase by $41,977
- The net impact on retained earnings on 1 July 2019 was a decrease of $69,232

(b) The Group's leasing activities and how these are accounted for

The Group leases an office location in Christchurch, New Zealand. Rental contracts are typically made for fixed periods of 3 to 8 years but may have extension options as described in (i) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

3. Changes in accounting policies (continued)

Until the 2019 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

(c) Change in presentation

From 1 July 2019, the Group has elected to present its consolidated statement of comprehensive income by nature of expense. This statement was previously presented by the function of the expense. The Group believes that changing the presentation format of the statement is more reliable and relevant as it is a standard format adopted in the Software as a Service (SaaS) industry.

4. Revenue and income

Disaggregation of revenue
The disaggregation of revenue from contracts with customers is as follows:

	Consolidated	
	2020	**2019**
	$	**$**
Timing of revenue		
Provision of services over time	4,622,940	3,567,159
Type of revenue		
Software services	4,397,107	3,116,631
Consulting, training, implementation and data migration services	225,833	450,528
	4,622,940	3,567,159

The Group's policy for revenue recognition is as follows:

4. Revenue and income (continued)

(i) Sale of subscription contracts

The Group sells subscriptions to its cloud based and mobile EHS and lone worker software solutions. Customers make monthly, quarterly, half-annually or annual up-front subscription payments to access the software services, cloud based storage for databases and access to an online helpdesk. The software licence cannot be separated from the cloud based delivery mechanism and therefore the combined service is accounted for as a single performance obligation and is recognised over the relevant subscription period on a straight-line basis.

(ii) Consulting, training, implementation and data migration services

The Group provides consulting services on using the Vault software and implementation assistance to transfer existing data onto the Vault system as separate services, typically at the inception of a contract with a customer. These services have distinct deliverables and revenue is recognised when the services are delivered, based on their relative stand-alone selling price. Implementation fees be billed prior to the commencement of a contract, however they are accounted for over time in line with the subscription period on a straight-line basis

(iii) Interest Income

Interest income represents revenue received or receivable on at-call and short-term deposits invested by Vault Intelligence Limited. It is recognised as the interest accrues to the net carrying amount of the financial assets using the effective interest rate method. At-call and short-term deposits are brought to account at fair value.

5. Other income and expense items

	Consolidated	
	2020	**2019**
	$	**$**
Grants received		
New Zealand R&D loss tax credit scheme	146,465	288,896
Austrade Export Market Development Grant	-	56,757
Australian R&D Tax Incentive	160,298	420,298
Australian Jobkeeper Grant	41,915	-
Australian ATO Cash Flow Boost	50,000	-
New Zealand COVID-19 Wage Subsidy	128,853	-
Singapore Jobs Support Scheme	16,065	-
	543,596	765,951

Presentation of government grants

The Group received grants in the 2020 and 2019 financial years for its software development activities from the Australian R&D Tax Incentive scheme and the NZ R&D loss tax credit scheme. The Group also received a Grant under the Export Market Development Grant program in 2019. The Group received the benefits shown above as a result of the applications.

Government grants received for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity in which there are no future related costs are recognised in the consolidated statement of comprehensive income of the period in which it becomes receivable. Government grants received for capitalised development costs are recognised as deferred grant income. As the capitalised development costs amortises, the deferred grant income is recognised in the consolidated statement of comprehensive income as government grant income on a consistent basis.

6. Expenses

	Consolidated 2020 $	Consolidated 2019 $
Marketing and advertising	390,475	256,899
Occupancy expense	374,520	371,382
Administrative expense	1,601,404	884,834
Employee benefit expense	7,030,487	5,561,639
Bad debts expense	76,234	8,555
Share based payments	468,081	95,162
Web hosting expense	464,174	259,554
Travel expense	279,045	297,436
Insurance expense	73,593	61,363
Other expense	506,654	368,949
	11,264,667	8,165,773

7. Income tax expense

	Consolidated 2020 $	Consolidated 2019 $
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(7,931,727)	(4,635,078)
Tax at the statutory tax rate of 27.5%	(2,181,225)	(1,274,646)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Tax effect of amounts not deductible / (assessable) in calculating taxable income	1,746	(218,216)
Deferred tax asset not brought to account on tax losses and temporary differences	2,147,306	1,500,510
	(32,173)	7,648
Difference in overseas tax rates	32,173	(7,648)
Income tax expense	-	-

	Consolidated 2020 $	Consolidated 2019 $
Deferred tax assets not recognised		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Temporary differences (net of deferred tax liabilities)	(113,120)	308,318
Tax losses - Australian	3,823,629	2,535,922
Capital losses - Australian	550	550
Tax losses - Overseas	919,192	942,216
Total deferred tax assets not recognised	4,630,251	3,787,006

From 1 July 2018, the base company tax rate for Australian companies with aggregated turnover of less than $50m (2019: $50m) was 27.5% (2019: 27.5%). As a result unrecognised deferred tax assets attributable to the Group's Australian entities have been valued at 27.5% (2019: 27.5%).

8. Cash and cash equivalents

	Consolidated 2020 $	Consolidated 2019 $
Cash at bank and in hand	3,023,540	2,432,906

Reconciliation to cash and cash equivalents at the end of the financial year
The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

	2020 $	2019 $
Balances as above	3,023,540	2,432,906
Bank Overdraft (note 11)	-	(72,191)
Balance as per statement of cash flows	3,023,540	2,360,715

During the 2020 financial year, the bank overdraft facility was closed. The total value of available bank overdraft facilities as at 30 June 2019 was $319,904 of which $72,191 was drawn.

9. Trade and other receivables

	Consolidated 2020 $	Consolidated 2019 $
Trade receivables	486,151	400,912
Less loss allowance	(55,916)	-
	430,235	400,912
Other receivables	68,694	29,909
Prepayments	261,759	165,297
	760,688	596,118

10. Trade and other payables

	Consolidated 2020 $	Consolidated 2019 $
Trade Payables	1,781,457	1,062,578
Other Payables	9,488	20,976
	1,790,945	1,083,554

Trade payables are unsecured and are usually paid within 30 days of recognition.

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature

11. Borrowings

	Consolidated	
	2020	2019
	$	$
Bank Overdraft	-	72,191
Other loans	-	51,430
	-	123,621

Refer to note 26 for further information on financial risk management.

12. Deferred revenue

	Consolidated	
	2020	2019
	$	$
Deferred revenue - software	1,485,218	1,548,765
Deferred revenue - services	95,360	-
	1,580,578	1,548,765

Reconciliation

	2020	2019
Opening balance	1,548,765	1,192,347
Value of software subscriptions sold	4,356,083	3,435,905
Amounts credited to software revenue during year	(4,397,107)	(3,116,631)
Foreign exchange movement	(22,523)	37,144
Value of other services sold	321,193	-
Amounts credited to other revenue during the year	(225,833)	-
Closing balance	1,580,578	1,548,765

Included within amounts credited to software revenue during the year is $1,548,765 (2019: $1,192,347) that was included in the contract liability balance at the beginning of the period. Management expects that all (2019: all) of the closing deferred revenue balances will be recognised as revenue during the next reporting period.

13. Property, plant and equipment

	Consolidated 2020 $	Consolidated 2019 $
Leasehold improvements Cost	15,393	18,831
Leasehold improvements Accumulated Depreciation	(1,782)	(2,840)
	13,611	15,991
Furniture and fittings Cost	38,933	67,001
Furniture and fittings Accumulated Depreciation	(9,928)	(24,576)
	29,005	42,425
Vehicles Cost	104,168	106,612
Vehicles Accumulated Depreciation	(54,402)	(33,849)
	49,766	72,763
Computer equipment cost	206,267	178,771
Computer equipment Accumulated Depreciation	(123,561)	(86,838)
	82,706	91,933
	175,088	223,112

Reconciliations

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

Consolidated	Machinery and vehicle $	Computer equipment $	Furniture fittings and equipment $	Leasehold Improvements $	Total $
Balance at 1 July 2018	99,345	41,722	47,533	17,577	206,177
Additions	-	85,349	431	-	85,780
Exchange differences	4,003	1,404	246	140	5,793
Depreciation expense	(30,585)	(36,542)	(5,785)	(1,726)	(74,638)
Balance at 30 June 2019	72,763	91,933	42,425	15,991	223,112
Additions	-	53,828	27,599	11,648	93,075
Disposals	-	(1,663)	(35,254)	(11,847)	(48,764)
Exchange differences	(1,345)	(937)	(467)	(229)	(2,978)
Depreciation expense	(21,652)	(60,455)	(5,298)	(1,952)	(89,357)
Balance at 30 June 2020	49,766	82,706	29,005	13,611	175,088

(i) Depreciation methods and useful lives

Depreciation is calculated by the Group using either the straight-line or diminishing value method to allocate an asset's cost, net of its residual value, over its estimated useful life or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

- Computer equipment: 2-4 years
- Motor vehicles: diminishing value method at 8%
- Furniture, fittings and equipment: 10 years (Australia), diminishing value method at 8% (New Zealand)
- Leasehold improvements: diminishing value method at 8%

14. Intangible assets

	Consolidated 2020 $	Consolidated 2019 $
Vault Enterprise System cost	2,120,912	2,120,912
Vault Enterprise System accumulated amortisation	(1,796,827)	(1,648,989)
	324,085	471,923
Vault Enterprise Upgrades cost	2,332,812	1,390,618
Vault Enterprise Upgrades accumulated amortisation	(702,388)	(257,080)
	1,630,424	1,133,538
Vault Apps cost	313,526	313,961
Vault Apps accumulated amortisation	(187,701)	(82,113)
	125,825	231,848
Vault Solo cost	2,901,898	1,200,133
Vault Solo accumulated amortisation	(1,019,861)	(161,713)
	1,882,037	1,038,420
Other Intangibles cost	69,982	53,562
Other Intangibles accumulated amortisation	(31,406)	(28,028)
	38,576	25,534
	4,000,947	2,901,263

Reconciliations

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

Consolidated	Vault Enterprise Platform $	Vault Enterprise Upgrades $	Vault Apps $	Vault Solo $	Other $	Total $
Balance at 1 July 2018	777,703	687,825	164,200	231,797	32,658	1,894,183
Additions - purchases	-	539,949	-	39,609	2,153	581,711
Additions - internal development	-	94,637	149,386	921,625	-	1,165,648
Exchange differences	-	11,107	375	7,102	90	18,674
Depreciation charge	-	-	-	-	(9,367)	(9,367)
Amortisation expense	(305,780)	(199,980)	(82,113)	(161,713)	-	(749,586)
Balance at 30 June 2019	471,923	1,133,538	231,848	1,038,420	25,534	2,901,263
Additions	-	311,846	-	44,000	23,233	379,079
Disposals	-	-	-	-	(1,039)	(1,039)
Additions - internal development	-	641,935	-	1,666,333	-	2,308,268
Exchange differences	-	(9,786)	(303)	(6,239)	(45)	(16,373)
Depreciation charge	-	-	-	-	(9,107)	(9,107)
Amortisation expense	(147,838)	(447,109)	(105,720)	(860,477)	-	(1,561,144)
Balance at 30 June 2020	324,085	1,630,424	125,825	1,882,037	38,576	4,000,947

The Group amortises intangible assets with a limited useful life using the straight-line method over 1.5-7 years.

15. Right-of-use assets

	Consolidated	
	2020	**2019**
	$	**$**
Right of Use Asset	1,040,670	-
Right of Use Asset Accumulated Depreciation	(394,502)	-
	646,168	-

The Group leases an office location in Christchurch, New Zealand. Rental contracts are typically made for fixed periods of 3 to 8 years but has an extension option. The extension option is included on the property lease for the Christchurch office. These terms are used to maximise operational flexibility in terms of managing contracts. The extension option held is exercisable only by the Group and not by the respective lessor. None of the total lease payments made were optional.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

16. Employee benefits

	Consolidated	
	2020	**2019**
	$	**$**
Provision for Annual Leave	374,418	231,252
Provision for Long Service Leave	38,703	34,446
	413,121	265,698

Amounts not expected to be settled within the next 12 months
The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

The following amounts reflect leave that is not expected to be taken within the next 12 months:

	Consolidated	
	2020	**2019**
	$	**$**
Employee benefits obligation expected to be settled after 12 months	37,773	18,861

17. Lease liabilities - current

	Consolidated	
	2020	**2019**
	$	**$**
Lease Liability - ROU Asset	80,515	-
Lease liability - Motor Vehicle	18,394	14,935
	98,909	14,935

18. Lease liabilities - non current

	Consolidated 2020 $	Consolidated 2019 $
Lease Liability - ROU Asset	679,268	-
Lease liability - Motor Vehicle	63,310	83,622
	742,578	83,622

Refer to note 26 for further information on financial risk management.

19. Provisions

	Consolidated 2020 $	Consolidated 2019 $
Provision for payroll tax	162,104	-

20. Deferred grant revenue - current

	Consolidated 2020 $	Consolidated 2019 $
Deferred grant revenue	407,250	-

21. Deferred grant revenue - non current

	Consolidated 2020 $	Consolidated 2019 $
Deferred grant revenue	217,589	-

22. Issued capital

Ordinary shares	30 June 2020 $	30 June 2020 Shares	30 June 2019 $	30 June 2019 Shares
Opening balance	22,686,132	102,917,024	17,901,068	862,152,727
Share Issue	7,524,000	25,080,000	5,000,000	166,666,667
Costs of issue	(343,830)	-	(223,686)	-
Exercise of Options	-	-	8,750	350,000
1:10 Share Consolidation	-	-	-	(926,252,370)
Total share capital	29,866,302	127,997,024	22,686,132	102,917,024

The Group announced in September 2019 that it had successfully raised $7.524 million in additional capital (before costs) from institutional and sophisticated investors to subscribe for 25,080,000 shares at $0.30 per share.

23. Reserves

	Consolidated 2020 $	Consolidated 2019 $
Foreign Currency Translation Reserve	(136,855)	(251,186)
Option Reserve	1,373,015	911,144
	1,236,160	659,958

Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

	Consolidated 2020 $	Consolidated 2019 $
Opening balance	(251,186)	(125,939)
Movements on translation of foreign subsidiary operations during and at period end	114,331	(125,247)
	(136,855)	(251,186)

Option reserve

The reserve is used to recognise the value of equity benefits provided to employees and Directors as part of their remuneration, and other parties as part of their compensation for services.

	Consolidated 2020 $	Consolidated 2019 $
Opening Balance	911,144	815,982
Director Options	37,969	66,220
Director Options	10,603	10,575
Director Options	9,180	9,154
Employee Options	12,421	9,213
Employee Options	9,900	-
Employee Options	139,320	-
Director Options	227,030	-
Employee Options	15,448	-
	1,373,015	911,144

23. Reserves (continued)

	Balance at beginning of period	Options granted	Options Converted	Options lapsed	Other Changes	Balance at end of the period
Management Options (i)	1,100,000	-	-	(1,100,000)	-	-
Director Options	350,000	-	-	-	-	350,000
Director Options	350,000	-	-	-	-	350,000
Director Options	1,100,000	-	-	-	-	1,100,000
Director Options	500,000	-	-	-	-	500,000
Director Options	500,000	-	-	-	-	500,000
Employee Options (ii)	500,000	-	-	-	(500,000)	-
Employee Options (ii)	500,000	-	-	-	(500,000)	-
Employee Options (iii)	-	300,000	-	(300,000)	-	-
Employee Options (iv)	-	3,480,000	-	-	(240,000)	3,240,000
Director Options (v)	-	200,000	-	-	-	200,000
Director Options (v)	-	4,500,000	-	-	-	4,500,000
Director Options (v)	-	1,000,000	-	-	-	1,000,000
Employee Options (vi)	-	2,330,000	-	-	-	2,330,000
Employee Options (vii)	-	270,000	-	-	-	270,000
	4,900,000	12,080,000	-	(1,400,000)	(1,240,000)	14,340,000

(i) Management options lapsed un-exercised on 5 August 2019.

(ii) Employee options issued on 31 December 2018 pursuant to the Employee Incentive Scheme were issued in 2 tranches, both with a 31 August 2020 expiry and a vesting date dependent on the achievement on of the vesting conditions as follows:

- 500,000 options with a $0.40 exercise price, subject to the Group achieving $4m in annual recurring revenue.
- 500,000 options with a $0.60 exercise price, subject to the Group achieving $6m in annual recurring revenue.

These options were cancelled and the holder was reissued under the option plan as detailed in (vi) below.

(iii) Employee options issued on 1 July 2019 pursuant to the Employee Incentive Scheme were issued in 1 tranche with a 30 June 2020 expiry and a vesting date dependent on the achievement on of the vesting conditions as follows:

- 300,000 options with a $0.30 exercise price, subject to the Group achieving $9m contracted annual recurring revenue (CARR)

These options vested during the period and lapsed unexercised on 30 June 2020.

(iv) Employee options issued on 1 August 2019 pursuant to the Employee Incentive Scheme were issued with a 31 July 2023 expiry as follows:

3,480,000 options with a $0.30 exercise price, vesting in 3 tranches as shown below. 240,000 of these options were forfeited during the period as the holders left the employment of the Group.

- 40% of employee allocation vests on achieving $9m CARR
- 30% of employee allocation vests on achieving $12.6m CARR
- 30% of employee allocation vests on achieving $16.38m CARR

(v) Director options issued pursuant to shareholder approval at the Group's AGM on 25 November 2019. The terms of the options issues are shown below:

23. Reserves (continued)

Recipient	No. of Options	Vesting Conditions	Vesting date	Expiry Date
David Moylan	2,000,000	3 x CARR targets	Subject to vesting conditions being satisfied	30 Sep 2023
Ross Jenkins	500,000	3 x CARR targets	Subject to vesting conditions being satisfied	30 Sep 2023
Ross Jenkins	200,000	$4million in annual recurring revenue	Subject to vesting conditions being satisfied	23 Nov 2021
David Rose	1,000,000	3 x CARR targets	Subject to vesting conditions being satisfied	30 Sep 2023
David Rose	1,000,000	$6million in CARR	Subject to vesting conditions being satisfied	30 Sep 2023
Robert Kirtlan	1,000,000	3 x CARR targets	Subject to vesting conditions being satisfied	30 Sep 2023

The CARR target vesting conditions noted above are as follows:

- 40% of allocation vests on achieving $9m CARR
- 30% of allocation vests on achieving $12.6m CARR
- 30% of allocation vests on achieving $16.38m CARR

(vi) Employee options issued on 1 March 2020 pursuant to the Employee Incentive Scheme were issued with a 29 February 2024 expiry as follows:

- 40% of allocation vests on achieving $16.05m CARR
- 30% of allocation vests on achieving $22.47m CARR
- 30% of allocation vests on achieving $29.21m CARR

(vii) Employee options issued on 30 June 2020 pursuant to the Employee Incentive Scheme were issued with a 29 June 2024 expiry as follows:

- 40% of allocation vests on achieving $16.75m CARR
- 30% of allocation vests on achieving $23.45m CARR
- 30% of allocation vests on achieving $30.35m CARR

The proposed acquisition with Damstra Holdings, if successful, would result in employee held options being paid out at $0.42c less the appropriate exercise price for each individually held option. All Director & executive options would roll into Damstra Holdings with the same vesting conditions and the price and number of options would convert at a factor of 2.9 Vault options for 1 Damstra option for each respective option held.

24. Earnings per share

	Consolidated	
	2020	**2019**
	$	**$**
Loss after income tax attributable to the owners of Vault Intelligence Limited	(7,931,727)	(4,635,078)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	121,692,762	99,285,624
Weighted average number of ordinary shares used in calculating diluted earnings per share	121,692,762	99,285,624
	Cents	**Cents**
Basic earnings per share	(6.518)	(4.668)
Diluted earnings per share	(6.518)	(4.668)

25. Commitments

The Group's operating lease commitments relate to rent obligations for the Group's premises.

	Consolidated 2020 $	Consolidated 2019 $
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	-	250,590
One to five years	-	138,535
	-	389,125

26. Financial risk management

Financial risk management objectives

Exposure to key financial risks is managed in accordance with the Group's risk management policy with the objective to ensure that the financial risks inherent in its activities are identified and then managed or kept as low as reasonably practicable.

The main financial risks that arise in the normal course of business are market risk (including currency risk and interest rate risk), credit risk and liquidity risk. Different methods are used to measure and manage these risk exposures. Liquidity risk is monitored through the ongoing review of available cash and future commitments for marketing and development expenditure. Exposure to liquidity risk is limited by anticipating liquidity shortages and ensuring capital can be raised in advance of shortages. It is the Board's policy that, as far as possible, no speculative trading in financial instruments be undertaken so as to limit exposure to price risk.

Primary responsibility for identification and control of financial risks rests with the Chief Financial Officer, under the authority of the Board. The Board is apprised of these risks from time to time and agrees any policies that may be undertaken to manage any of the risks identified.
Details of the significant accounting policies and methods adopted, including criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each financial instrument are disclosed in note 1 to the financial statements. The carrying values of payables and receivables are assumed to approximate fair values due to their shorter term nature. Cash and cash equivalents are subject to variable interest rates.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Group's operating units. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk
The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

26. Financial risk management (continued)

The Group's exposure to foreign exchange risk at the reporting date is limited to the transfer of funding from Australian head office to fund its foreign operations, which mainly relate to the intercompany loan accounts for working capital. Translation risk arises out of the translation of the intercompany balances. The value of the intercompany loan balances between Australian and foreign entities at 30 June 2019 was $6,239,674 (2019:$3,960,815).

Over the period funds have been transferred for the Group's primary exposure in NZD, the jurisdictional FX rate has have fluctuated between 4.12% to -3.4% above and below the closing FX spot rates at 30 June 2020. The average NZD FX rate has fluctuated between 4.97% to -2.61% (2019: 3.61% to -4.34%) above and below the average rate for the period.

Price risk
The Group is not exposed to any significant price risk.

Interest rate risk
The Group is not materially exposed to interest rate risk as it does not hold any borrowings or loan facilities.

Credit risk
Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Credit risk is managed on a Group basis. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

With respect to credit risk arising from financial assets, which comprise cash and cash equivalents and receivables, the exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. At balance date, material cash and deposits were held with Westpac (which has an AA- Standard and Poors long-term credit quality rating).

Sales to customers are required to be settled in cash or using major credit cards, mitigating credit risk. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

The Group only trades with recognised, creditworthy third parties. The Group has a very good track record in respect of bad debts and terms of payment with customers. Consequently, its only significant exposure to credit risks is in relation to cash balances.

Liquidity risk
Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities.

Prudent liquidity risk management implies maintaining sufficient cash reserves to meet the ongoing operational requirements of the business. It is the Group's policy to maintain sufficient funds in cash and cash equivalents. Furthermore, the Group monitors its ongoing working capital requirements and has the potential to raise equity funding as and when appropriate to meet planned requirements. Currently the Group has adequate cash to meet contractual cash flows.

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the balance sheet.

26. Financial risk management (continued)

	Within 1 Year $	1 to 5 Years $	Total contractual cash flows $
At 30 June 2020			
Non-derivatives			
Trade and other payables	1,790,945	-	1,790,945
Lease Liabilities	98,909	742,578	841,487
	1,889,854	742,578	2,632,432
At 30 June 2019			
Non-derivatives			
Trade and other payables	1,083,554	-	1,083,554
Bank overdraft	72,191	-	72,191
Other loans	51,429	-	51,429
Finance lease liabilities	14,935	83,622	98,557
	1,222,109	83,622	1,305,731

The financial assets and liabilities noted above are interest free other than for the bank overdraft and the term borrowings and are continuously monitored to limit risk with respect to liquidity risk versus early repayment subject to economies of early settlement.

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

27. Operating segments

Identification of reportable operating segments

The Group operates in one operating segment being the provision of cloud-based and mobile EHS software within 4 jurisdictions, being Australia New Zealand, China and Singapore. Software revenue and other operating income for the Group in each jurisdiction was as follows:

	Australia $	New Zealand $	China $	Singapore $	
2020 Revenue by geography					
Software revenue	1,554,771	2,834,484	1,784	6,068	4,397,107
Other revenue	30,488	195,345	-	-	225,833
	1,585,259	3,029,829	1,784	6,068	4,622,940
2019 Revenue by geography					
Software revenue	925,678	2,189,230	1,723	-	3,116,631
Other revenue	146,588	303,940	-	-	450,528
	1,072,266	2,493,170	1,723	-	3,567,159

(i) All software revenue is recognised over the life of the subscription service period.

(ii) Other revenue is recognised at either a point in time or over time depending on the nature of services provided.

28. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by PricewaterhouseCoopers, the auditor of the company:

	Consolidated	
	2020 $	2019 $
Audit services - PricewaterhouseCoopers		
Audit or review of the financial statements	106,000	111,000

29. Interests in other entities

The Group’s principal subsidiaries at 30 June 2020 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Company, and the proportion of ownership interests held equals the voting rights held by the Company. The country of incorporation or registration is also their principal place of business.

		Ownership interest	
Name	Principal place of business / Country of incorporation	2020 %	2019 %
Vault Intelligence Limited	Australia	-	-
Subsidiaries of legal parent entity:		-	-
NGB Industries Pty Ltd	Australia	100%	100%
Ora Banda Gold Pty Ltd	Australia	100%	100%
Vault Software Technology (Shanghai) Limited	China	100%	100%
Vault IQ SG PTE LTD	Singapore	100%	100%
Vault Asia Technology (HK) Limited	Hong Kong	100%	-
Subsidiaries of NGB Industries Ltd		-	-
Vault IQ AU Pty Ltd	Australia	100%	100%
Vault IQ NZ Ltd	New Zealand	100%	100%
Platinum Safety Pty Ltd	Australia	100%	100%

30. Contingent assets and contingent liabilities

The Group had no contingent liabilities or contingent assets as at 30 June 2020 (2019: Nil)

31. Related party transactions

Transactions with related parties
At 30 June 2020 the following balances were owing to associated companies or companies associated with Directors as follows:

- Romford Consulting Pty Ltd, a company related to Mr Robert Kirtlan - $6,600 for Director fees and additional executive services.
- Pauanui Beach Holdings, a company related to Mr Ross Jenkins - $11,383 for Director fees and additional executive services.

Except for the above, there have been no other transactions with other related parties for the year ended 30 June 2020.

31. Related party transactions (continued)

At 30 June 2019 the following balances were owing to associated companies or companies associated with Directors as follows:

- ARK Securities & Investments Pty Ltd, a company related to Mr Robert Kirtlan - $11,000 for Directors fees and additional executive services.

Except for the above, there have been no other transactions with other related parties for the year ended 30 June 2019.

The following amounts were paid to related parties during the period

	2020 $	2019 $
Related parties of Ross Jenkins		
RJ Advisory Limited - Director and service fees	44,584	53,410
Pauanui Beach Holdings - Director and service fees	20,869	-
The Instillery - IT consulting services	77,140	58,473
	142,593	111,883
Related parties of Robert Kirtlan		
Romford Consulting Pty Ltd - Director and service fees	135,000	-
Romford Consulting Pty Ltd - expense reimbursements	56,922	-
ARK Securities & Investments Pty Ltd - Director and service fees	-	145,000
ARK Securities & Investments Pty Ltd - expense reimbursements	-	26,684
	191,922	171,684

Amounts paid during the period RJ Advisory Limited and Pauanui Beach Holdings limited, are in relation to Directors fees and executive services provided by Ross Jenkins. Payments made to the Instillery, a company which Ross Jenkins is a director, were for IT consulting services at commercial arms length terms.

Amounts paid during the period to related parties of Robert Kirtlan are in relation to Directors fees and expense reimbursements.

Refer to the remuneration report for further details of remuneration.

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

32. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated 2020 $	Consolidated 2019 $
Loss after income tax expense for the year	(7,931,727)	(4,635,078)
Adjustments for:		
Depreciation and amortisation	1,742,469	833,548
Net loss on disposal of non-current assets	46,811	-
Share-based payments	461,871	95,162
Foreign exchange differences	(9,428)	(351,212)
Bad debts expense	76,234	8,555
Other non-cash items	330,775	(38,076)
Proceeds from government grants allocable to investment activities	(709,990)	-
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(164,570)	7,912
Increase in trade and other payables	707,391	669,361
Increase in employee benefits	166,335	95,248
Increase in income taxes payable	-	5,569
Increase in deferred revenue	31,813	356,418
Increase in deferred grants	624,839	-
Net cash used in operating activities	(4,627,177)	(2,952,593)

33. Share-based payments

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Grant Date	Expiry Date	Exercise Price	Risk free interest rate	Share price at grant date	Expected price volatility	Value per option	Share options 30 June 2020	Share options 30 June 2019
05/08/2016	05/08/2019	$0.40	1.45%	$0.41	100%	$0.323	-	1,100,000
20/12/2017	20/12/2020	$0.50	2.12%	$0.21	70%	$0.090	350,000	350,000
20/12/2017	20/12/2020	$0.60	2.12%	$0.21	70%	$0.080	350,000	350,000
23/11/2018	23/11/2021	$0.50	2.11%	$0.20	85%	$0.065	500,000	500,000
23/11/2018	23/11/2021	$0.60	2.11%	$0.20	85%	$0.058	500,000	500,000
23/11/2018	23/11/2021	$0.30	2.11%	$0.20	85%	$0.087	1,100,000	1,100,000
31/12/2018	31/08/2020	$0.40	1.89%	$0.18	85%	$0.038	-	500,000
31/12/2018	31/08/2020	$0.60	1.89%	$0.18	85%	$0.024	-	500,000
01/08/2019	31/07/2023	$0.30	0.90%	$0.32	100%	$0.033	3,240,000	-
25/11/2019	23/11/2021	$0.30	0.80%	$0.43	100%	$0.234	200,000	-
25/11/2019	30/09/2023	$0.30	0.80%	$0.43	100%	$0.250	4,500,000	-
25/11/2019	30/09/2023	$0.32	0.80%	$0.43	100%	$0.248	1,000,000	-
01/03/2020	30/06/2024	$0.30	0.50%	$0.17	100%	$0.000	2,330,000	-
30/06/2020	29/06/2024	$0.40	0.40%	$0.30	100%	$0.000	270,000	-
							14,340,000	4,900,000

Options have been valued either by using a Black Scholes valuation model or a 3rd party variation of the Hull-White model.

Details in relation to the change in the number of options on issue between 30 June 2020 and 30 June 2019 can be found in note 23

34. Parent entity information

The following information has been extracted from the books and records of the legal parent, Vault Intelligence Limited and has been prepared in accordance with Australian Accounting Standards.

The financial information for the parent entity, Vault Intelligence Limited has been prepared on the same basis as the consolidated financial statements except as disclosed below.

The individual financial statements for the Parent entity show the following aggregate amounts:

	Consolidated	
	2020	**2019**
	$	**$**
Balance Sheet		
Current assets	1,791,913	1,911,970
Non current assets	7,894	95,685
Current liabilities	(348,025)	(71,462)
Net Assets	1,451,782	1,936,193
Shareholders' equity		
Issued capital	35,501,398	28,321,228
FX translation reserve	23,346	23,346
Share based payments reserve	1,379,225	911,144
Accumulated losses	(35,452,187)	(27,319,525)
	1,451,782	1,936,193
Loss for the year	(1,562,880)	(507,383)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2020 or 30 June 2019.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2020 or 30 June 2019.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.
- Vault Intelligence Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation.

  The head entity, Vault Intelligence Limited, and the controlled entities in the tax consolidated Group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated Group continues to be a stand-alone taxpayer in its own right.

  In addition to its own current and deferred tax amounts, Vault Intelligence Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated Group.

35. Events after the reporting period

Proposed acquisition by Damstra

On 8 July 2020, the Group announced it has entered into a Scheme Implementation Deed under which it is proposed that Damstra Holdings Limited (Damstra) (ASX: DTC) will acquire 100% of the equity interest in Vault by way of a scheme of arrangement (Scheme). The Scheme is subject to shareholder approval.

Under the Scheme, the Damstra will acquire 100% of the Vault equity by way of a scrip offer. It is proposed that Vault shareholders will receive 1 Damstra ordinary share for every 2.9 Vault shares that they hold at the record date. Vault will become a wholly-owned subsidiary of Damstra upon implementation of the proposed scheme.

It is anticipated the Scheme meeting of shareholders will take place on 2 October 2020 and, subject to gaining shareholder approval, the Scheme will be implemented on 19 October 2020.

Each of Vault's Directors considers the Scheme to be in the best interests of Vault's shareholders and unanimously recommend Vault's shareholders vote in favour of the Scheme, subject to no superior proposal emerging and an independent expert determining that the Scheme is in the best interests of Vault's shareholders.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Vault Intelligence Limited
Directors' declaration
For the year ended 30 June 2020

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;

- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the Directors

____
Ross Jenkins
Chair

26 August 2020

Independent auditor's report

To the members of Vault Intelligence Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Vault Intelligence Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended

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

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 30 June 2020
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which indicates that the Group incurred operating losses of $7,931,727 (2019: $4,635,078) and incurred net cash outflows from operating activities of $4,627,177 (2019: $2,952,593) during the year ended 30 June 2020 and, as of that date, the Group's current liabilities exceeded its total assets by $668,679. As a result, the Group is dependent on the proposed scheme of arrangement with Damstra Holdings Limited proceeding or reducing its operating costs, meeting sales forecasts and sourcing new funding through equity. These conditions, along with other matters set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

Materiality	*Audit scope*
• For the purpose of our audit we used overall Group materiality of $130,000, which represents approximately 1% of the Group's total expenses. • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We chose total expenses because, in our view, this is the measure that is most representative of the Group's activities at the time of our audit. • We utilised a 1% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.	• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. • The Group operates predominantly in Australia and New Zealand, and audit procedures were predominantly performed by PwC Australia.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit Committee.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	***How our audit addressed the key audit matter***
Revenue recognition of subscription contracts and other related services *(Refer to note 1 and 4)* The Group provides cloud-based and mobile software (Software) and related services under contracts with customers. The Group generates revenue from these customers' contracts through: • the sale of subscriptions for the Software • the provision of consulting, training, implementation and data migration services. Revenue recognition for the Group was a key audit matter since it is judgemental and complex because the timing of recognition is significantly different to the issue of the invoice and/or receipt of cash for sale of subscriptions. For other related services the timing of recognition may also be different to the time when the service was provided.	We performed the following audit procedures, amongst others: • Updated our understanding of the nature and terms of the software and services provided by the Group. • For all revenue streams: ○ tested the mathematical accuracy of the revenue allocation to the current financial year on a sample basis. ○ assessed whether revenue was recognised in accordance with the requirements of the Australian Accounting Standards. • Evaluated the adequacy of the disclosures made in note 1 and 4 in light of the requirements of Australian Accounting Standards.
Capitalisation and useful lives of intangible assets *(Refer to note 1, 2 and note 14)* As the Group continues to invest in the on-going development of new and existing products, the Group has focussed on the capitalisation of software development expenditure and the useful lives of new and existing capitalised software. The Group's process for calculating the value of internally developed software involves judgement as it includes estimating time spent by employees and	We performed the following audit procedures, amongst others: • Evaluated the Group's assessment that useful lives of intangible assets is appropriate at year end. This included discussion with relevant members of management to develop an understanding of the anticipated timing of development of new platforms and the Group's historical pattern of migrating customers from existing to new released products.

Key audit matter	*How our audit addressed the key audit matter*
contractors developing software and determining the value attributable to that time. In its annual assessment of its software development assets and their useful lives, the key judgement made by the Group relates to the period over which the software development assets are amortised. This was a key audit matter because: • intangible assets are the largest non-financial asset on the Group's consolidated balance sheet • judgement is required by the Group in assessing the remaining useful lives of the assets and the cost of time incurred to be capitalised • the potential impact of the amortisation expense on the Group's loss is significant.	• Developed an understanding of the methodology used by the Group and calculate and capitalise payroll costs • Assessed the recognition of intangible assets during the period against the criteria prescribed by Australia Accounting Standards • Performed recalculations of the amortisation expense by intangible asset category to assess whether the Group's stated amortisation rates had been applied. • Assessed the adequacy of the disclosures related to intangible assets in the financial report in light of the requirements of Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 5 to 9 of the directors' report for the year ended 30 June 2020.

In our opinion, the remuneration report of Vault Intelligence Limited for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

PricewaterhouseCoopers

PricewaterhouseCoopers

Brad Peake
Partner

Melbourne
26 August 2020

Vault Intelligence Limited
Shareholder information
For the year ended 30 June 2020

The shareholder information set out below was applicable as at 18 August 2020.

Range	Securities	%	No. of holders	%
100,001 and Over	112,693,883	88.04%	125	12.14%
10,001 to 100,000	13,561,722	10.60%	354	34.37%
5,001 to 10,000	1,014,958	0.79%	125	12.14%
1,001 to 5,000	628,790	0.49%	235	22.82%
1 to 1,000	97,671	0.08%	191	18.54%
	127,997,024		1,030	
Unmarketable Parcels	8,866	0.01%	102	9.90%

Equity security holders

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

	Ordinary shares	
	Number held	**% of total shares issued**
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	11,215,347	8.76
NATIONAL NOMINEES LIMITED	10,200,541	7.97
CS THIRD NOMINEES PTY LIMITED (HSBC CUST NOM AU LTD 13 A/C)	8,257,110	6.45
MR DAVID MOYLAN	8,017,484	6.26
UBS NOMINEES PTY LTD	5,983,208	4.67
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	5,891,762	4.60
BLUESPIRE CAPITAL PTY LTD (TECHNOLOGY INVESTMENT A/C)	4,214,005	3.29
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,978,235	3.11
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	2,807,200	2.19
GINGA PTY LTD (T G KLINGER SUPER FUND A/C)	2,706,021	2.11
CITICORP NOMINEES PTY LIMITED	2,048,625	1.60
JBWERE (NZ) NOMINEES LIMITED (42195 A/C)	2,000,000	1.56
MR JAN MICHAEL GEESINK	2,000,000	1.56
MR GRANT MICHAEL ROBERTS	1,900,000	1.48
MR WAYNE ANDREW ACKERS	1,843,887	1.44
MRS PATRICIA MOYLAN	1,717,720	1.34
WILFORD INVESTMENT TRUST LIMITED	1,667,720	1.30
TDF PROPERTIES PTY LTD (THE TDF PROPERTY A/C)	1,350,000	1.05
HOLY GRAIL HOLDINGS LIMITED	1,306,500	1.02
KANJI GROUP PTY LIMITED	1,222,222	0.95
	80,327,587	62.71

Vault Intelligence Limited
Shareholder information
For the year ended 30 June 2020

Unquoted equity securities

	Number on issue	Number of holders
Director Options, $0.50 exercise price, $4m ARR vesting condition, exp 20/12/20	350,000	2
Director Options, $0.60 exercise price, $6m ARR vesting condition, exp 20/12/21	350,000	2
Director Options, $0.30 exercise price, no vesting condition, exp 23/11/2021	500,000	1
Director Options, $0.50 exercise price, $8m ARR vesting condition, exp 23/11/2021	500,000	1
Director Options, $0.60 exercise price, $12m ARR vesting condition, exp 20/12/2021	500,000	1
Director Options, $0.30 exercise price, $4m ARR vesting condition, exp 23/11/2021	200,000	1
Director Options, $0.30 exercise price, $5m ARR vesting condition, exp 23/11/2021	400,000	1
Employee Options, $0.30 exercise, exp 31/07/2023, 40% vesting on reaching $9m CARR, 30% vesting on reaching $12.6m CARR, 30% vesting on reaching $16.38m CARR	3,130,000	38
Director Options, $0.30 exercise price, exp 30/09/2023, 40% vesting on reaching $9m CARR 30% vesting on reaching $12.6m CARR 30% vesting on reaching $16.38m CARR	4,500,000	4
Director Options, $0.30 exercise price, $4m ARR vesting condition, exp 23/11/2021	200,000	1
Director Options, $0.32 exercise price, $6m ARR vesting condition, exp 30/09/2023	1,000,000	1
Employee Options, $0.30 exercise, exp 29/02/2024 40% vesting on reaching $16.05m CARR 30% vesting on reaching $22.47m CARR 30% vesting on reaching $29.21m CARR	2,330,000	18
Employee Options, $0.40 exercise, exp 29/06/2024 40% vesting on reaching $16.75m CARR 30% vesting on reaching $23.45m CARR 30% vesting on reaching $30.35m CARR	270,000	3

Substantial holders
Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	11,215,347	8.76
NATIONAL NOMINEES LIMITED	10,200,541	7.97
CS THIRD NOMINEES PTY LIMITED (HSBC CUST NOM AU LTD 13 A/C)	8,257,110	6.45
MR DAVID MOYLAN	8,017,484	6.26

Voting rights
The voting rights attached to ordinary shares are set out below:

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

There are no other classes of equity securities.

Vault Intelligence Limited
Corporate directory
For the year ended 30 June 2020

Directors	David Moylan Ross Jenkins Robert Kirtlan David Rose
Company secretary	Todd Perkinson
Registered office and Principal place of business	Level 18 1 Nicholson Street East Melbourne VIC 3002
Share register	Link Market Services Limited QV1 Building, Level 12 250 St Georges Terrace Perth WA 6000
Auditor	PricewaterhouseCoopers 2 Riverside Quay Southbank VIC 3006
Solicitors	HWL Ebsworth Level 26 ,530 Collins Street Melbourne VIC 3000
Bankers	Westpac Level 9, 150 Collins Street Melbourne VIC 3000
Stock exchange listing	ASX code: VLT
Website	www.vaultintel.com