INTELLIGENT RISK SOFTWARE

# Vault Intelligence Limited

ABN 15 145 040 857

# Annual report

# for the year ended 30 June 2017

# *Vault Intelligence Limited*
*ABN 15 145 040 857*
# *Annual report - 30 June 2017*

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## Corporate directory

| | |
|---|---|
| **Directors** | Robert Kirtlan |
| | Trent Innes |
| | Samuel Smart |
| | David Moylan |
| **Secretary** | Mr Lloyd Flint BAcc, MBA, ICAA, FFin |
| **Principal registered office in Australia** | Suite 5, Level 1<br>12-20 Railway Road<br>Subiaco WA 6008<br>(08) 9388 6020 |
| **Share register** | Link Market Services Limited<br>Central Park, Level 4<br>152 St Georges Terrace<br>Perth WA 6000<br>(08) 9211 6670 |
| **Auditor** | PricewaterhouseCoopers<br>Brookfield Place<br>125 St Georges Terrace<br>Perth WA 6000 |
| **Solicitors** | Corrs Chambers Westgarth<br>Woodside Plaza<br>240 St Georges Terrace<br>Perth WA 6000 |
| **Bankers** | National Australia Bank Limited<br>Level 1<br>88 High Street<br>Fremantle WA 6160 |
| **Stock exchange listings** | ASX: VLT |
| **Website** | www.vaultintel.com |

## Directors' Report

Your Directors present their report on the Consolidated entity consisting of Vault Intelligence Limited and the entities it controlled at the end of, or during, the year ended 30 June 2017. Throughout the report, the Consolidated entity is referred to as the Group.

**Directors and company secretary**

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

Robert Kirtlan
Trent Innes
Samuel Smart
David Moylan

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

**Principal activities**

During the year the principal continuing activity of the Group was the provision of cloud-based and mobile EHS software.

**Dividends - Vault Intelligence Limited**

No dividends were paid or declared since the start of the financial year (2016: Nil). No recommendation for payment of dividends has been made (2016: Nil).

**Review of operations**

**Operations in general**

The Group has transitioned from an unlisted public company to a fully ASX listed entity over the last twelve months.

The initial six months was one of change with new management systems and reporting systems being installed, new work practices implemented, additions to technical development staff, and the creation of a new sales team based in Australia.

During the second six months, the strategic changes and new staff hired commenced to deliver results with the final quarter being a record for completed sales in both customer additions and dollar terms. The Group is pleased to see the success from the new strategic direction being implemented and is working hard to ensure the success will continue into 2018 and beyond.

Numerous new technical developments were completed or are underway. They include new mobile stand-alone applications, new versions of existing applications to ensure they are market leading, and development of a separate back end to allow customers to implement as many applications as they require but still report together as one. Work commenced on the complete upgrade of the Enterprise Platform user interface and user experience and due for release October 2017. This is something the Group is very excited about as it brings the UI/UX into line with our mobile class leading application suite.

With expansion of development and sales teams the Company has endeavoured to manage costs as best as it can to ensure money is going into those areas which require it.

The Group has taken the strategic initiative of launching the product into China. China has recently enhanced all of its occupational health and safety regulations with enterprises now required to adopt software or digital based solutions to manage their risk. Following a period of due diligence, the Group has found there are very few solutions available to Chinese enterprises at the moment and has embarked on a strategy of firstly delivering several of the Group’s applications to be followed by the full enterprise platform. The Group is taking a limited cost, low risk approach to its marketing and development strategy in China but is pleased to advise of the Group’s first sale made in late September 2017.

**Review of operations (continued)**

**Summary**

- Enterprise sales focus and strategy in AUS / NZ rewarded and continuing
- Several new significant accounts
- Three new Apps developed to Vault Suite
- New Enterprise Platform UI/UX launching
- China Apps developed and being trialled
- Developing new disruptive mobile technology with Internet of Things (IoT)
- Significant strategic alliances formed
- Reseller and Partner program showing immediate returns

**Operational highlights**

The final quarter of 2017 delivered a great result for the Group and is due to the new strategic changes developed for marketing, sales and new technological innovations. The new strategies continue to be implemented at the time of writing and are continuing to deliver positive results for the Group.

**Q4 highlights**

- Record quarter in number of signings and contracts
- 20 new contracts, 3 key signings
- Refinement of sales strategy producing results
- Rapid advancement of major strategic alliances
- Proof of concept (POC) trials in multiple locations

The Group is very excited by the future within the risk and safety sector. The market in Australia and New Zealand is still in its infancy with many SME and large enterprises still relying on paper based or spreadsheet solutions. Vault can assist all of these groups with either small mobile application based solutions through to large enterprise solutions helping them drive better safety and risk outcomes whilst achieving efficiencies and a genuine return on investment from their use of the Vault systems.

Vault has graduated its solutions from desktop to mobile to an integrated version of these and is now looking at developing wearables as the next step in the evolution of its mission to provide world class leading risk and safety management tools.

The financial year has seen an increase growth of Vault users and Vault managed customers with people being managed by Vault now breaking through the 1,000,000 barrier.

The Group moved to new reporting standards a year earlier than required so is now reporting purely in an operating and SaaS based methodology. This is despite the Group writing three-year contracts around its enterprise solution, currently having a life of contract term of approximately 7 years and a 95% customer retention rate.

The Group is now working very hard to improve not just its product but also its software and system delivery, account management and customer relationship management. As part of this the Group is going to instigate an Industry Panel which will comprise several Vault personnel, risk industry professionals plus Vault customers to meet and discuss the future requirements within the risk and safety sector.

**Management comments**

The Group has recently conducted a strategic review into the operation of Vault during the last financial year and has implemented measurable initiatives to improve efficiencies and performance. The key areas covered during the review focused on enterprise sales, alliances and channels; internal and external communication and promotion, as well as streamlining operations and resources to minimise expenses and cash burn. Subsequently the Board has approved a rigorous budget aimed at decreasing the cash burn over the coming quarters as the ARR continues to increase. Management will be closely monitoring the adherence of costs against the approved budget for FY 17/18.

**Review of operations (continued)**

The loss for the year was larger than anticipated as there were additional spends incurred in re-aligning and positioning Vault for strong growth in FY 18 as well as transforming the business to a 100% SaaS. The loss from ordinary activities after income tax amounted to $3,474,457 (2016 loss: $2,494,180). A large component of the anticipated loss was the establishment of a physical presence in Australia which previously was non-existent but now includes sales, account management, finance, marketing and technical development.

The financial year also saw the establishment of Vault offices in Melbourne, Perth and Sydney which means the Group is now ideally located to maximise the opportunities across Australia. This was a requirement and expense that had to be incurred if the business was to expand and maximise the potential in the Australian market.

The establishment of the enterprise sales and marketing component of the business proved to be a slow and expensive process, with sales taking on average 4 to 6 months to process the benefits of the hard work are only now starting to show with key sales at the tail end of the financial year now expanding into FY 18. This foundation has now been set and the company is well positioned to take advantage of the opportunities that have been created during this financial year.

The transformation to a SaaS financial model for our customers also reduced the total revenue brought into the business as Vault commits itself to building a sustainable Annualised Recurring Revenue (ARR). ARR represents the annual value of all active software subscriptions. The traditional billing method used by Vault resulted in customers being initially invoiced 70% of the 3 year contract price upfront and the remaining 30% spread across years 2 and 3. Moving to the SaaS model customers are now billed in equal amounts across the 3 year period and ongoing thereafter. This transformation naturally resulted in less total revenue being received in early lump sum amounts and has contributed to the loss sustained during the year. The base ARR is now increasing and the strategy is that the existing ARR will reach levels where it will equal or exceed expenses for the year meaning that all new sales for the year will add to the profit. Although causing some short term revenue downside the Group believes the longer term benefits far outweigh the effect on FY17 results.

**Technical development**

The Enterprise platform has also been the subject of User Interface / User Experience (UI/UX) upgrade and is being prepared for market launch. The Group is looking forward to introducing the new look Enterprise platform to new and existing customers. The new package is expected to significantly enhance the opportunities and conversions of new sales.

Vault has also continued work on improving the UI/UX on its existing Apps and has launched three new Apps onto the marketplace. In conjunction with the new apps an independent platform has been developed allowing the Apps to be sold individually or interfaced into existing systems. Vault has also taken significant steps in developing its products suitable for IoT devices and is working on securing strong partnerships and alliances to facilitate this push in technology.

**Sustainable ARR**

In its transition to becoming a ‘Software as a Service’ (SaaS) business, the Group has adopted standard SaaS metrics to measure its revenue. The core of a sustainable SaaS business is ARR which represents the annual value of all active software subscriptions. Vault has adopted the ARR as the key metric for measuring performance within the business as it demonstrates ongoing sustainable revenue and/or increasing customer contracts.

**Review of operations (continued)**

**Summary of Vault position at end of FY 17**

- ARR is increasing and providing a sound platform for business sustainability and future growth
- Vault has long term customers and has a very low churn rate with 95% retention of customers
- Software delivers Return On Investment for customers and will improve sales penetration into the marketplace
- Major strategic alliances and partners have been established during the financial year
- New technology innovation with the enterprise platform and app suite as well a move to IoT
- Working on disruptive next generation mobile IoT with major partners
- Moving towards open platform with value add plug in partners
- Diversification of the Vault customer base continued and now extends beyond 670 corporate clients operating in 30 industry sectors

**Significant changes in the state of affairs**

There have been no significant changes in the state of affairs of the Group during the financial year:

Cash available as at 30 June 2017 was $1,375,812 (2016: $4,170,332). The company has net assets of $1,906,452 (2016: $3,252,054).

**Events since the end of the financial year**

Since the end of the financial year, the Group has announced the following:

- Signing of several significant clients across Australia and New Zealand as well as the Group’s first contract in China.
- The release of the Vault 3 Enterprise Platform.

**Information on directors**

<table>
<tr><td colspan="3">Mr Robert Kirtlan - Chairman, Non-Executive Director (Audit Committee Member)</td></tr>
<tr><td>Experience and expertise</td><td colspan="2">Robert came from a background in accounting, finance and management involving public and private companies before working for major investment banks in Sydney and New York. During this period, he was principally involved in arranging debt and equity for junior and major companies across a global resources spectrum.<br><br>Since 2001, he has been investing in and working with companies at management level in the resources and technology sector.</td></tr>
<tr><td>Other current ASX listed company directorships</td><td colspan="2">• RMG Ltd - appointed 29 April 2011<br>• Currie Rose Resources Inc - appointed 25 October 2015<br>• Overland Resources Limited - appointed 23 May 2017</td></tr>
<tr><td>Former ASX listed company directorships in last 3 years</td><td colspan="2">• Decimal Software Limited - appointed 1 June 2002; resigned 14 June 2016<br>• East Africa Resources Ltd - appointed 20 November 2013, resigned 1 September 2015<br>• Homeland Uranium Inc - appointed 1 February 2012; resigned 30 November 2014.</td></tr>
<tr><td>Special responsibilities</td><td colspan="2">• Chairman<br>• Audit Committee Member</td></tr>
<tr><td rowspan="3">Interests in shares and options</td><td>Ordinary shares</td><td>8,951,804</td></tr>
<tr><td>Unlisted Options each exercisable at $0.04 on or before 21 June 2019</td><td>500,000</td></tr>
<tr><td>Unlisted KPI Options each exercisable at $0.04 on or before 21 June 2019 subject to vesting hurdles</td><td>2,500,000</td></tr>
</table>

<table>
<tr><td colspan="2">Mr David Moylan - Managing Director</td></tr>
<tr><td>Experience and expertise</td><td>David was an original founder of NGB Industries, Vault Intelligence's predecessor company, and has over 25 years' industry experience as a risk management specialist. Risk consultancies include senior appointments and high level risk work with Shell Exploration in China, Air New Zealand, Australian Defence Forces and numerous consulting assignments across a variety of industries.<br><br>Prior to becoming a consultant, 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 where he developed the safety management system for the Australian Army. David holds a Masters degree in Strategic Management and Bachelor degrees in Social Science (HR Management) and Occupational Hygiene.</td></tr>
<tr><td>Other current ASX listed company directorships</td><td>• Nil</td></tr>
<tr><td>Former ASX listed company directorships in last 3 years</td><td>• Nil</td></tr>
<tr><td>Special responsibilities</td><td>• Managing Director / Chief Executive Officer</td></tr>
</table>

**Information on directors (continued)**

| | | |
|---|---|---|
| Interests in shares and options | Ordinary shares | 80,174,839 |
| | Unlisted KPI options each exercisable at $0.04 on or before 21 June 2019 subject to vesting hurdles | 10,000,000 |

| **Mr Trent Innes** - *Non-Executive Director* | | |
|---|---|---|
| Experience and expertise | Trent is currently the Managing Director of Australian operations for Xero Limited, the online provider of accounting software. Previously, he was the Australian Sales Director for Xero Limited. Prior to his involvement with Xero Limited, Mr Innes was National Sales Manager, Business Solutions for Microsoft (Australia). In his role as National Sales Director of Xero Limited, Trent built and managed multi-channel sales teams through direct, partner and strategic alliance channels. This involved online, inside sales, field sales, sales operations and strategic alliances.<br><br>Trent's qualifications include being a qualified CPA, with a Bachelor of Business (Accounting) degree. | |
| Other current ASX listed company directorships | • Nil | |
| Former ASX listed company directorships in last 3 years | • Nil | |
| Special responsibilities | • Audit Committee Member | |
| Interests in shares and options | Ordinary shares | 2,071,701 |
| | Unlisted Options each exercisable at $0.04 on or before 21 June 2019 subject to vesting hurdles | 5,000,000 |

| **Mr Samuel Smart** - *Non-Executive Director* | |
|---|---|
| Experience and expertise | Sam is a corporate lawyer, who has considerable experience advising companies on mergers, acquisitions, joint ventures and capital raisings in a variety of sectors, including mining, telecommunications and hotels. Sam has advised companies in relation to equity offerings on the London Stock Exchange (both main board and AIM), Euronext and ASX.<br><br>Although the majority of his professional career has been spent working in law firms, including in the London office of global law firm, Linklaters, Sam has also worked in a corporate advisory role, focused on mining and resources companies.<br><br>Sam holds a Bachelor of Laws and a Masters of Business Administration. |
| Other current ASX listed company directorships | • Nil |
| Former ASX listed company directorships in last 3 years | • Nil |
| Special responsibilities | • Audit Committee Member |

**Information on directors (continued)**

| | | |
|---|---|---|
| Interests in shares and options | Ordinary shares | 8,404,456 |
| | Unlisted options each exercisable at $0.04 on or before 21 June 2019 | 500,000 |
| | Unlisted KPI options each exercisable at $0.04 on or before 21 June 2019 subject to vesting hurdles | 2,500,000 |

**Company secretary**

The Company secretary is Mr Lloyd Flint BAcc, MBA, ICAA, FFin. Mr Flint was appointed to the position of Company secretary in 2012 and has over 20 years' experience in the corporate and financial services arena. He has held a number of management and senior administrative positions as well as providing corporate advisory services as a consultant to corporate clients.

**Meetings of directors**

The numbers of meetings of the Company's board of Directors and of each board committee held during the year ended 30 June 2017, and the numbers of meetings attended by each Director were:

| | **Full meetings of directors** | | **Meetings of committees** | |
|---|---|---|---|---|
| | | | **Audit** | |
| | **A** | **B** | **A** | **B** |
| Robert Kirtlan | 4 | 4 | 2 | 2 |
| Trent Innes | 4 | 4 | 2 | 2 |
| Samuel Smart | 3 | 4 | 2 | 2 |
| David Moylan | 4 | 4 | - | - |

A = Number of meetings attended
B = Number of meetings held during the time the Director held office or was a member of the committee during the year

There were 6 Circular Resolutions signed off during the year ended 30 June 2017.

**Retirement, election and continuation in office of directors**

**Remuneration report**

The Directors present the Vault Intelligence Limited 2017 remuneration report, outlining key aspects of our remuneration policy and framework, and remuneration awarded this year.

The report is structured as follows:

(a) Key management personnel (KMP) covered in this report
(b) Remuneration policy and link to performance
(c) Link between remuneration and performance
(d) Employment details of members of key management personnel and other executives
(e) Remuneration for KMP
(f) Additional statutory information

*(a) Key management personnel covered in this report*

| *Non-executive and executive Directors (see pages 6 to 8 for details about each Director)* |
|---|
| Robert Kirtlan<br>Trent Innes<br>Samuel Smart<br>David Moylan |

**Remuneration report (continued)**

*(b) Remuneration policy and link to performance*

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:

- All key management personnel receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options and performance incentives.
- 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. Refer to note 7(b)(ii) within the financial statements for vesting conditions of issued securities.

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 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(2016: 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.

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 ending 30 June 2017). 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.

Key management personnel are also entitled and encouraged to participate in the employee share and option arrangements to align directors' interests with shareholders' interests.

Options granted under the arrangement do not carry dividend or voting rights. Each option is entitled to be converted into one ordinary share and is valued using the Black Scholes methodology.

*(c) Link between remuneration and performance*

*(i) Performance Based Remuneration*

Performance based remuneration for key management personnel is limited to granting of options.

*(ii) Relationship between Remuneration Policy and Company Performance*

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.

**Remuneration report (continued)**

*(c) Link between remuneration and performance (continued)*

*(ii) Relationship between Remuneration Policy and Company Performance (continued)*

The Key Management Personnel and relevant Group executives' remuneration is linked to performance by attaching turnover hurdle vesting conditions onto options. KMP's that do not hold unlisted options do not have their remuneration tied to the performance of the Group. The performance of the Group in the SaaS (software as a service) and software development industry will need to align itself to performance accordingly:

• Sales, customer numbers and product development;
• Establishment of long term cash flow profitability; and
• Increase in shareholder wealth.

The table below sets out summary information about the Group's earnings and movements in shareholder wealth for the three years to 30 June 2017 and will be utilised in the future for performance incentives. The company was relisted on the ASX on 1 July 2016:

| Description | 30 June 2017 | 30 June 16 Restated | 30 June 15 |
|---|---|---|---|
| Sales revenue | $2,752,972 | $2,721,965 | $2,301,033 |
| Net (loss) / profit before tax | $(3,435,685) | $(2,494,180) | $277,664 |
| Net (loss) / profit after tax | $(3,474,457) | $(2,494,180) | $205,286 |
| Share price at end of year | $0.029 | $0.02 | N/A |
| Market capitalisation | $20.2m | $11.3m | N/A |
| Basic (loss) per share | (0.558) cents | (0.971) cents | N/A |

*(iii) Performance conditions linked to remuneration*

The Group's remuneration of key management personnel includes performance conditions for the year ended 30 June 2017. These relate predominately to the hurdles set around increasing sales revenue as the Group transforms from a privately held company (NGB Industries Pty Ltd) to a publicly listed company. Details of the vesting conditions can be found in the Notes to the consolidated financial statements at note 7(b)(ii).

*(d) Employment details of members of key management personnel and other executives*

The following tables provides employment details of persons who were, during the financial year, members of key management personnel of the Group.

The tables also illustrate the proportion of remuneration that was performance and non-performance based and the proportion received in the form of options. It is noted that incentives for 2016 relate to achieving a listing on the ASX.

**30 June 2017**

| Key Management Personnel | Position | Cash incentives | Options / Rights | Fixed salary / fees | Total |
|---|---|---|---|---|---|
| | | % | % | % | % |
| Mr Robert Kirtlan | Executive Director | 0% | 20% | 80% | 100% |
| Mr David Moylan | Managing Director | 0% | 40% | 60% | 100% |
| Mr Trent Innes | Non-Executive Director | 0% | 20% | 80% | 100% |
| Mr Samuel Smart | Non-Executive Director | 0% | 58% | 42% | 100% |

**Remuneration report (continued)**

*(d) Employment details of members of key management personnel and other executives (continued)*

**30 June 2016**

| Key Management Personnel | Position | Cash incentives | Options / Rights | Fixed salary / fees | Total |
|---|---|---|---|---|---|
| | | % | % | % | % |
| Mr Robert Kirtlan | Executive Director | 68% | 9% | 23% | 100% |
| Mr David Moylan | Managing Director | 0% | 0% | 100% | 100% |
| Mr Trent Innes | Non-Executive Director | 0% | 0% | 100% | 100% |
| Mr Samuel Smart | Non-Executive Director | 70% | 7% | 23% | 100% |

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

*Service Agreements*

The Managing Director has an executive services agreement whereby the engagement is for a term of three years (commenced 6 May 2016) which may be extended by mutual agreement. The agreement may be terminated by either party without cause with 12 month's notice and eligibility for a discretionary bonus at the discretion of a majority of Directors (excluding the Managing Director).

Terms of employment require that the relevant Group entity provide an executive contracted person with a minimum of 3 months 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.

*(e) Remuneration expenses for executive KMP*

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

| Key Management Personnel | Year | Salary fees and leave | Other (1) | Pension and Superannuation | Other | Option Awards | Total | % of Remuneration as shares / options | % of performance Related |
|---|---|---|---|---|---|---|---|---|---|
| | | $ | $ | $ | $ | $ | $ | % | % |
| **Executive directors** | | | | | | | | | |
| Mr Robert Kirtlan | **2017** | 97,000 | - | - | - | 24,250 | 121,250 | 20% | 20% |
| | 2016 | 12,000 | 35,000 | - | - | 4,850 | 51,850 | 9% | 76% |
| Mr David Moylan | **2017** | 264,720 | - | 24,832 | - | 72,750 | 362,302 | 20% | 20% |
| | 2016 | 246,014 | - | - | - | - | 246,014 | 0% | 0% |
| **Non-Executive Directors** | | | | | | | | | |
| Mr Trent Innes | **2017** | 34,727 | - | - | - | 48,500 | 83,227 | 58% | 58% |
| | 2016 | 7,000 | - | - | - | - | 7,000 | 0% | 0% |
| Mr Samuel Smart | **2017** | 32,446 | - | 2,960 | - | 24,250 | 59,656 | 41% | 41% |
| | 2016 | 10,959 | 50,228 | 5,812 | - | 4,850 | 71,849 | 7% | 83% |
| Mr David Lightfoot | **2017** | - | - | - | - | - | - | 0% | 0% |
| | 2016 | 116,055 | - | - | - | - | 116,055 | 0% | 0% |
| Mr Andrew Lucena | 2017 | - | - | - | - | - | - | 0% | 0% |
| | 2016 | - | - | - | - | 10,000 | 10,000 | 100% | 0% |
| **Total executive directors** | **2017** | 361,720 | - | 24,832 | - | 97,000 | 483,552 | 20% | 20% |
| **remuneration** | 2016 | 258,014 | 35,000 | - | - | 4,850 | 297,864 | 2% | 13% |
| **Total NED** | **2017** | 67,173 | - | 2,960 | - | 72,750 | 142,883 | 51% | 51% |
| **remuneration** | 2016 | 134,014 | 50,228 | 5,812 | - | 14,850 | 204,904 | 7% | 29% |
| **Total KMP** | **2017** | 428,893 | | 27,792 | | 169,750 | 626,435 | 27% | 27% |
| **remuneration expense** | 2016 | 392,028 | 85,228 | 5,812 | - | 19,700 | 502,768 | 4% | 21% |

(1) - Services fees related to the acquisition of the NGBI Group and relisting of Vault

**Remuneration report (continued)**

*(e) Remuneration expenses for executive KMP (continued)*

*Cash bonuses and performance related bonuses*

No bonuses were granted as remuneration to key management personnel during the year ended 30 June 2017 (2016: Nil).

No options issued as remuneration options to key management personnel have been exercised during the 2017 financial year and no options have vested (2016: Nil).

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

*(f) Additional statutory information*

*(i) Reconciliation of options, rights and ordinary shares held by KMP*

*Option and rights holdings*

The tables below show a reconciliation of options held by each KMP from the beginning to the end of FY 2017.

| Consolidated entity 2017 Name | Balance at start of the year | Granted as compen-sation | Exercised | Other changes [1] | Balance at end of the year | Vested and exercisable | Vested and un-exerciseable |
|---|---|---|---|---|---|---|---|
| Mr Robert Kirtlan | 6,795,000 | - | - | (3,795,000) | 3,000,000 | - | 500,000 |
| Mr David Moylan | 10,000,000 | - | - | - | 10,000,000 | - | - |
| Mr Trent Innes | 5,000,000 | - | - | - | 5,000,000 | - | - |
| Mr Samuel Smart | 3,000,000 | - | - | - | 3,000,000 | - | 500,000 |

1 - Options expired un-exercised on 6 December 2016.

| Consolidated entity 2016 Name | Balance at start of the year [1] | Granted as compen-sation | Exercised | Other changes [2] | Balance at end of the year | Vested and exercisable | Vested and un-exerciseable |
|---|---|---|---|---|---|---|---|
| Mr Robert Kirtlan | - | 3,000,000 | - | 3,795,000 | 6,795,000 | 3,795,000 | 500,000 |
| Mr David Moylan | - | 10,000,000 | - | - | 10,000,000 | - | - |
| Mr Trent Innes | - | 5,000,000 | - | - | 5,000,000 | - | - |
| Mr Samuel Smart | - | 3,000,000 | - | - | 3,000,000 | - | 500,000 |

1 - The number of options over ordinary shares held by each key management person of NGB Industries was nil.
2 - This reflects the "reverse acquisition" of Vault Intelligence Limited (formerly Credo Resources Ltd) by NGB Industries Ltd (known as the "Vault Transaction"). Mr Kirtlan had options in Credo Resources prior to the Vault Transaction.

*Shareholdings*

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

**Remuneration report (continued)**

*(f) Additional statutory information (continued)*

*(i) Reconciliation of options, rights and ordinary shares held by KMP (continued)*

| **Consolidated entity 2017**<br>**Name** | **Balance at the start of the year** | **Granted as remuneration during the year** | **Issued on exercise of options during the year** | **Other changes during the year[1,2]** | **Balance at the end of the year** |
|---|---|---|---|---|---|
| **Ordinary shares** | | | | | |
| Mr Robert Kirtlan | 8,451,804 | - | - | 500,000 | 8,951,804 |
| Mr David Moylan | 61,672,953 | - | - | 18,501,886 | 80,174,839 |
| Mr Trent Innes | 1,593,616 | - | - | 478,085 | 2,071,701 |
| Mr Samuel Smart | 7,904,456 | - | - | 500,000 | 8,404,456 |
| | - | - | - | - | - |
| **Contingent Share Rights** | | | | | |
| Mr Robert Kirtlan | - | - | - | - | - |
| Mr David Moylan | 18,501,886 | - | - | (18,501,886) | - |
| Mr Trent Innes | 478,085 | - | - | (478,085) | - |
| Mr Samuel Smart | - | - | - | - | - |

1 - Contingent share rights converted into ordinary shares on 9 November 2016 following the satisfaction of performance criteria in relation to the Vault transaction for Messers Moylan and Innes.
2 - Messers Kirtlan and Smart each purchased 500,000 ordinary shares through the Vault share purchase plan.

| Consolidated entity 2016<br>Name | Balance at the start of the year | Granted as remuneration during the year | Issued on exercise of options during the year | Other changes during the year[1,2,3] | Balance at end of the year |
|---|---|---|---|---|---|
| **Ordinary shares** | | | | | |
| Mr Robert Kirtlan | - | 500,000 | - | 7,951,804 | 8,451,804 |
| Mr David Moylan | 387,000 | - | - | 61,285,953 | 61,672,953 |
| Mr Trent Innes | 10,000 | - | - | 1,583,616 | 1,593,616 |
| Mr Samuel Smart | - | 500,000 | - | 7,404,456 | 7,904,456 |
| Mr Andrew Lucena | 40,000 | 10,000 | - | (50,000) | - |
| Mr David Lightfoot | 40,000 | - | - | (40,000) | - |
| | - | - | - | - | - |
| **Contingent Share Rights[4]** | | | | | |
| Mr Robert Kirtlan | - | - | - | - | - |
| Mr David Moylan | - | - | - | 18,501,886 | 18,501,886 |
| Mr Trent Innes | - | - | - | 478,085 | 478,085 |
| Mr Samuel Smart | - | - | - | - | - |

1 - The legal parent issued shares to vendors of NGB Industries Limited. This reflects the "reverse acquisition" of Vault Intelligence Limited (formerly Credo Resources Ltd) by NGB Industries Ltd and the "scrip for scrip" process undertaken on completion.
2 - NGB Industries Ltd shares held as directors at resignation pursuant to the Vault Transaction. This effects Messers Lucena and Lightfoot.
3 - Messers Kirtlan and Smart had no shares in NGB Industries prior to the Vault Transaction but were and remain directors of Vault Intelligence Limited (formerly Credo Resources Ltd).
4 - Part of the vendor agreement but subject to performance criteria.

**Remuneration report (continued)**

*(f) Additional statutory information (continued)*

*(i) Reconciliation of options, rights and ordinary shares held by KMP (continued)*

*Securities received that are not performance related*

Some members of key management personnel received securities as part of their remuneration during the year that were not performance related. Those securities listed above generally form part of the Vendor's Securities issued by Vault Intelligence Ltd (formerly Credo Resources Ltd) pursuant to the transaction with the shareholders of NGB Industries Ltd (the "Vault Transaction"). In this regard, the Contingent Rights were converted during the year into ordinary fully paid shares, which although subject to a recurring income hurdle, was ultimately part of the original Vendor's Securities rather than remuneration.

*(ii) Voting of shareholders at last year's annual general meeting*

The Group received more than 98% of "yes" votes of eligible shareholders on its remuneration report for the 2016 financial year. The Group did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

**Insurance of officers and indemnities**

*(a) Insurance of officers*

The Group has paid a premium to insure directors against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of a director of the Group, other than conduct involving a wilful breach of duty in relation to the Group. The total premium and the liabilities covered have not been disclosed since it is prohibited under the terms of the contract.

*(b) Indemnity of auditors*

To the extent permitted by law and professional regulations, the Group has agreed to indemnify its auditors, PricewaterhouseCoopers (2016: Crowe Horwath) as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify the Group's auditor or predecessor during or since the financial year.

**Non-audit services**

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out below.

The board of Directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

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

**Non-audit services (continued)**

During the year the following fees were paid or payable for services provided by the auditor of the Parent entity, its related practices and non-related audit firms:

| | Consolidated entity | |
|---|---|---|
| | **2017** | 2016 |
| | **$** | $ |
| Audit and review of financial statements | **52,000** | - |

The following fees were paid or payable to Crowe Horwath during the year ended 30 June 2016. These entities provided audit and other services to the Group prior to PwC being appointed as the Group's auditor.

| | Consolidated entity | |
|---|---|---|
| | **2017** | 2016 |
| | **$** | $ |
| **Non PwC non-audit services** | | |
| Taxation and Compliance Services | **-** | 44,700 |
| Other audit services | **-** | 4,000 |
| | **-** | 48,700 |

No fees were paid to PricewaterhouseCoopers for non-audit related services for the year ended 30 June 2017.

This report is made in accordance with a resolution of Directors.

David Moylan
Director
29 September 2017

## Auditor's Independence Declaration

As lead auditor for the audit of Vault Intelligence Limited for the year ended 30 June 2017, 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.

Pierre Dreyer
Partner
PricewaterhouseCoopers

Perth
29 September 2017

***PricewaterhouseCoopers, ABN 52 780 433 757***
*Brookfield Place, 125 St Georges Terrace, PERTH WA 6000, GPO Box D198, PERTH WA 6840*
*T: +61 8 9238 3000, F: +61 8 9238 3999, www.pwc.com.au*

## Corporate Governance Statement

The 2017 corporate governance statement is dated as at 19 September 2017 and reflects the corporate governance practices in place throughout the 2017 financial year. The 2017 corporate governance statement was approved by the board on 19 September 2017. A description of the Group's corporate governance practices is set out in the Group's corporate governance statement which can be viewed on the Group's website www.vaultintel.com.

# Vault Intelligence Limited

ABN 15 145 040 857

## *Annual financial report - 30 June 2017*



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These financial statements are the consolidated financial statements for the Group consisting of Vault Intelligence Limited and its subsidiaries.

The financial statements are presented in Australian dollars ($).

Vault Intelligence Limited is a company limited by shares, incorporated and domiciled in Australia.

Its registered office is:
Vault Intelligence Limited
Suite 5, Level 1
12-20 Railway Road
Subiaco WA 6008

The financial statements were authorised for issue by the Directors on 29 September 2017. The Directors have the power to amend and reissue the financial statements.

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

## Consolidated statement of comprehensive income
for the year ended 30 June 2017

| | Notes | Consolidated entity 2017 $ | Restated 2016 $* |
|---|---|---|---|
| Software revenue | | **2,183,461** | 2,012,216 |
| Other revenue | | **569,511** | 709,749 |
| Interest received | | **26,275** | 444 |
| Other income | | **-** | 439,915 |
| **Total Revenue and Income** | | **2,779,247** | 3,162,324 |
| Marketing and advertising | | **(164,338)** | (57,369) |
| Occupancy expenses | | **(279,131)** | (123,210) |
| Administrative expenses | | **(501,849)** | (302,098) |
| Employee benefits expense | | **(3,391,179)** | (1,826,118) |
| Depreciation and amortisation | | **(349,611)** | (310,991) |
| Interest expense | | **(50,936)** | (95,706) |
| Bad debts expense | | **(20,317)** | (365) |
| Loss on disposal of assets | | **(273)** | (12,672) |
| Share based payments | | **(594,173)** | (312,135) |
| Cost of listing | | **-** | (1,667,172) |
| Web hosting expense | | **(185,578)** | (145,299) |
| Foreign exchange loss | | **(13,386)** | (88,208) |
| Travel expenses | | **(305,462)** | (156,738) |
| Insurance expenses | | **(69,621)** | (21,711) |
| Other | | **(289,078)** | (536,712) |
| **Loss before income tax** | | **(3,435,685)** | (2,494,180) |
| Income tax expense | 4 | **(38,772)** | - |
| **Loss for the year** | | **(3,474,457)** | (2,494,180) |
| **Other Comprehensive income/(loss) for the year** | | | |
| *Items that may be reclassified to profit and loss* | | | |
| Foreign currency translation reserve differences | | **20,906** | 11,766 |
| | | **20,906** | 11,766 |
| **Total comprehensive loss for the year** | | **(3,453,551)** | (2,482,414) |
| Loss attributable owners of Vault Intelligence Ltd: | | | |
| | | **(3,453,551)** | (2,482,414) |

*The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.*

## Consolidated statement of comprehensive income

| | **Cents** | Cents |
|---|---|---|
| **Loss per share for loss attributable to the ordinary equity holders of the Company (note 8):** | | |
| Basic earnings per share (cents) | **(0.558)** | (0.971) |
| Diluted earnings per share (cents) | **(0.558)** | (0.971) |

* See note 3 for details regarding the change in accounting policy.

*The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.*

## Consolidated balance sheet
as at 30 June 2017

| | Notes | **2017 $** | Restated 2016 $* | Restated 1 July 2015 $* |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current assets** | | | | |
| Cash and cash equivalents | 5(a) | **1,375,812** | 4,170,332 | 31,884 |
| Trade and other receivables | 5(b) | **323,273** | 444,034 | 247,338 |
| Inventories | | **-** | 41,409 | - |
| Current tax receivables | | **1,990** | - | - |
| Total current assets | | **1,701,075** | 4,655,775 | 279,222 |
| **Non-current assets** | | | | |
| Property, plant and equipment | 6(a) | **129,926** | 80,749 | 34,741 |
| Intangible assets | 6(b) | **1,198,316** | 1,346,101 | 1,225,212 |
| Other non-current assets | | **25,000** | - | - |
| Term and security deposits | | **454,184** | - | - |
| Total non-current assets | | **1,807,426** | 1,426,850 | 1,259,953 |
| **Total assets** | | **3,508,501** | 6,082,625 | 1,539,175 |
| **LIABILITIES** | | | | |
| **Current liabilities** | | | | |
| Trade and other payables | 5(c) | **428,417** | 855,224 | 595,569 |
| Borrowings | 5(d) | **83,571** | 678,144 | 60,040 |
| Bank overdraft | | **105,519** | 267,760 | 265,516 |
| Current tax liabilities | | **-** | 65,248 | - |
| Employee benefit obligations | 6(c) | **187,040** | 124,817 | 77,804 |
| Deferred revenue | 5(e) | **797,502** | 801,255 | 781,995 |
| | | **1,602,049** | 2,792,448 | 1,780,924 |
| **Non-current liabilities** | | | | |
| Borrowings | 5(d) | **-** | 38,123 | 336,338 |
| Total non-current liabilities | | **-** | 38,123 | 336,338 |
| **Total liabilities** | | **1,602,049** | 2,830,571 | 2,117,262 |
| **Net assets** | | **1,906,452** | 3,252,054 | (578,087) |
| **EQUITY** | | | | |
| Share capital | 7(a) | **13,678,022** | 12,164,246 | 6,141,516 |
| Other reserves | 7(b) | **694,393** | 79,314 | (222,278) |
| Accumulated losses | | **(12,465,963)** | (8,991,506) | (6,497,325) |
| **Total equity** | | **1,906,452** | 3,252,054 | (578,087) |

* See note 3 for details regarding the change in accounting policy.

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

## Consolidated statement of changes in equity
for the year ended 30 June 2017

| | | Attributable to owners of Vault Intelligence Limited | | | | |
|---|---|---|---|---|---|---|
| **Consolidated entity** | Notes | **Share capital $** | **Option Reserve $** | **Accumulated losses $** | **Foreign currency translation reserve $** | **Total equity $** |
| **Balance at 1 July 2015** | | 6,141,516 | - | (5,715,330) | (222,278) | 203,908 |
| Adjustment on change in accounting policy | 3 | - | - | (781,995) | - | (781,995) |
| **Total equity at the beginning of the financial year** | | **6,141,516** | **-** | **(6,497,325)** | **(222,278)** | **(578,087)** |
| Loss for the year | | - | - | (2,494,180) | - | (2,494,180) |
| Other comprehensive income | | - | - | - | 11,766 | 11,766 |
| **Total comprehensive loss for the year** | | **-** | **-** | **(2,494,180)** | **11,766** | **(2,482,414)** |
| **Transactions with owners in their capacity as owners:** | | | | | | |
| Contributions of equity, net of transaction costs | 7(a) | 6,022,730 | - | - | - | 6,022,730 |
| Employee share schemes - value of employee services | 7(b) | - | 289,825 | - | - | 289,825 |
| | | 6,022,730 | 289,825 | - | - | 6,312,555 |
| **Balance at 30 June 2016** | | **12,164,246** | **289,825** | **(8,991,505)** | **(210,512)** | **3,252,054** |
| **Balance at 1 July 2016** | | 12,164,246 | 289,825 | (8,991,505) | (210,512) | 3,252,054 |
| Loss for the year | | - | - | (3,474,457) | - | (3,474,457) |
| Other comprehensive income | | - | - | - | 20,906 | 20,906 |
| **Total comprehensive loss for the year** | | **-** | **-** | **(3,474,457)** | **20,906** | **(3,453,551)** |
| **Transactions with owners in their capacity as owners:** | | | | | | |
| Contributions of equity, net of transaction costs and tax | 7(a) | 1,513,776 | - | - | - | 1,513,776 |
| Employee share schemes - value of employee services | 7(b) | - | 594,173 | - | - | 594,173 |
| | | 1,513,776 | 594,173 | - | - | 2,107,949 |
| **Balance at 30 June 2017** | | **13,678,022** | **883,998** | **(12,465,962)** | **(189,606)** | **1,906,452** |

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

## Consolidated statement of cash flows
for the year ended 30 June 2017

| | Notes | Consolidated entity 2017 $ | 2016 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers (inclusive of goods and services tax) | | **3,305,315** | 2,984,080 |
| Payments to suppliers and employees (inclusive of goods and services tax) | | **(6,103,184)** | (2,913,311) |
| Interest received | | **26,275** | 444 |
| Interest paid | | **(50,936)** | (95,706) |
| **Net cash outflow from operating activities** | 16(a) | **(2,822,530)** | (24,493) |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | 6(a) | **(88,516)** | (89,817) |
| Payments for term and security deposits | | **(454,184)** | - |
| Payment of software development costs | | **(83,300)** | - |
| Purchase of intangible assets | | **(36,069)** | (402,621) |
| Payments for other assets | | **(25,000)** | - |
| **Net cash outflow from investing activities** | | **(687,069)** | (492,438) |
| **Cash flows from financing activities** | | | |
| Proceeds from issues of shares and other equity securities | 7(a) | **1,657,776** | 4,375,100 |
| Proceeds from borrowings | | **-** | 539,289 |
| Repayment of borrowings | | **(632,696)** | (219,400) |
| Cash acquired from acquisition | | **-** | 132,885 |
| Capital raising costs | | **(144,000)** | (174,739) |
| **Net cash inflow from financing activities** | | **881,080** | 4,653,135 |
| **Net (decrease) / increase in cash and cash equivalents** | | **(2,628,519)** | 4,136,204 |
| Cash and cash equivalents at the beginning of the financial year | | **3,902,572** | (233,632) |
| Effects of exchange rate changes on cash and cash equivalents | | **(3,760)** | - |
| Cash and cash equivalents at the end of the financial year | 5(a)(i) | **1,270,293** | 3,902,572 |

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

## Contents of the notes to the consolidated financial statements


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## 1 Summary of 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.

### (a) 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 and the *Corporations Act 2001*. Vault Intelligence Limited is a for-profit entity for the purpose of preparing the financial statements.

*(i) Going Concern*

During the financial year, the Group incurred operating losses and negative cash flows as it invested in growing the sales and marketing capabilities of the business and invested in the development of its product suite available to the market. The continuing viability of the Group is dependent on the following pertinent matters:

- The Group has the capacity, if necessary, to reduce its operating cost structure in order to minimise its working capital requirements;
- The Group meeting its sales pipeline forecasts which forecasts strong growth in cash inflows; and
- The Group's ability to source capital from either the debt or equity markets.

The Group has received offers of funding and is well advanced in determining which source will best suit the Group and its shareholders.

As a result of the nature of capital markets, until the capital raising is irrevocably committed, there is a material uncertainty that the Group will generate sufficient additional funding to enable it to meet its committed operational expenditure for at least twelve months from the date of these financial statements. This 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. The financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts, or to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

However, the Directors believe that the Group will be successful in raising sufficient capital and, accordingly, have prepare the financial report on a going concern basis.

*(ii) Historical cost convention*

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

*(iii) New and amended standards adopted by the group*

The Group has applied the following standards and amendments for the first time for their annual reporting year commencing 1 July 2016:

- AASB 2014-3 *Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations*
- AASB 2014-4 *Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation*
- AASB 2015-1 *Amendments to Australian Accounting Standards - Annual improvements to Australian Accounting Standards 2012 - 2014 cycle, and*
- AASB 2015-2 *Amendments to Australian Accounting Standards - Disclosure initiative: Amendments to AASB 101.*

The adoption of these amendments did not have any impact on the current year or any prior year and is not likely to affect future years.

**(a) Basis of preparation (continued)**

*(iii) New and amended standards adopted by the group (continued)*

The Group has elected to apply AASB 15 *Revenue from Contracts with Customers* as issued in December 2014. In accordance with the transition provisions in AASB 15 the new rules have been adopted retrospectively and comparatives for the 2016 financial year have been restated. See note 3 for further details on the impact of the change in accounting policy.

*(iv) New standards and interpretations not yet adopted*

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting years and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

| **Title of standard** | **AASB 9 *Financial Instruments*** |
|---|---|
| Nature of change | AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. |
| Impact | While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, the impact on the Group's cash and cash equivalents and trade debtors balance is expected to be minimal.<br><br>There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed.<br><br>The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group does not have any hedging relationships and therefore does not expect any financial impact with respect to this facet of the new standard.<br><br>The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under AASB 139. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under AASB 15 *Revenue from Contracts with Customers*, lease receivables, loan commitments and certain financial guarantee contracts. While the Group does have credit receivables which would be impacted by expected credit losses, any accelerated recognition of this losses is not expected to be material. |
| Mandatory application date/ Date of adoption by Group | Must be applied for financial years commencing on or after 1 January 2018.<br><br>The Group does not intend to adopt AASB 9 before its mandatory date. |

**(a) Basis of preparation (continued)**

*(iv) New standards and interpretations not yet adopted (continued)*

| **Title of standard** | **AASB 16 *Leases*** |
|---|---|
| Nature of change | AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.<br><br>The accounting for lessors will not change significantly. |
| Impact | The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of $793,149 (2016: $609,435), see note 9. Operating lease commitments, presently recognised as an expense on a straight-line basis in operating expenses, will be capitalised with depreciation and finance expenses recognised over the term of the lease. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.<br><br>Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under AASB 16. |
| Mandatory application date/ Date of adoption by Group | Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its mandatory date. |

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting years and on foreseeable future transactions.

**(b) Principles of consolidation and equity accounting**

*(i) Subsidiaries*

Subsidiaries are all entities (including structured 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 deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

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

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

**(c) 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.

The Group has elected to adopt AASB 15 from 1 July 2015. Refer to note 3 for a description of the Group's policy for revenue recognition.

**(c) Revenue recognition (continued)**

*(i) 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.

**(d) 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.

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 and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

**(e) Employee benefits**

*(i) Short-term obligations*

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the year in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting year and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

**(f) Foreign currency translation**

*(i) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars ($), which is Vault Intelligence Limited's functional and presentation currency.

*(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the statement of comprehensive income on a net basis within other income or other expenses.

*(iii) Group companies*

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

**(g) Cash and cash equivalents**

For the purpose of presentation in the statement of cash flows, 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, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

**(h) Property, plant and equipment**

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting year in which they are incurred.

The depreciation methods and years used by the Group are disclosed in note 6(a).

**(h) Property, plant and equipment (continued)**

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(j)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

**(i) Intangible assets**

*(i) 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
- there is an ability to use or sell the software
- 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, and
- the 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.

*(ii) Research and development*

Research expenditure and development expenditure that do not meet the criteria in (i) above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent year.

*(iii) Amortisation methods and periods*

Refer to note 6(b) for details about amortisation methods and years used by the Group for intangible assets.

**(j) Impairment of assets**

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested 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. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

**(k) Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting year. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

**(l) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of 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 taxation authority is included with other receivables or 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 taxation authority, are presented as operating cash flows.

**(m) Leases**

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease year so as to produce a constant periodic rate of interest on the remaining balance of the liability for each year. The property, plant and equipment acquired under a finance lease is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 9). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the year of the lease.

**(n) Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the year of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the year of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expires. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting year.

**(o) Provisions**

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

**(o) Provisions (continued)**

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting year. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

**(p) Earnings per share**

*(i) Basic earnings per share*

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, 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 year and excluding treasury shares.

*(ii) 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 additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

## 2 Critical estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group’s accounting policies.

**(a) Revenue Recognition**

In identifying performance obligations created under 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. Refer to note 3

**(b) Useful life of intangible assets**

The Group recognises intangible assets related to its internally developed EHS software products. As at 30 June 2017, the carrying amount of this software was $1,198,316 (2016: $1,346,101). The Group estimates the useful life of the software to be at least 5 years based on the expected technical obsolescence of such assets. However, the actual useful life may be shorter or longer than 5 years, depending on technical innovations and competitor actions.

**(c) Impairment**

The Group assesses impairment at the end of each reporting period by evaluating conditions specific to the Group that may be indicative of impairment triggers. Judgement was applied in determining that no impairment triggers were identified during the current financial year.

## 3 Change in accounting policy

*Changes to presentation of the statement of comprehensive income - classification of expenses*
The Group has amended the presentation of the consolidated income statement for the year ended 30 June 2017 to classify its expenses by nature of expense instead of function of expense. The directors carried out a review of Vault's financial statements and believe that the amended presentation provides more relevant and reliable information to the users of the financial statements. The amended presentation will be consistently applied going forward with reclassification of comparative information accordingly.

*Change in accounting policy (AASB 15)*
The Group has elected to apply AASB 15 as issued in December 2014, which resulted in changes to the accounting policy and adjustments to the amounts recognised in the financial statements. The Group has applied the full retrospective approach to adopting the new standard.

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

*(i) Sale of software 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.

*(ii) Consulting, training 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, based on their relative stand-alone selling price.

The principal change from the previous accounting policy is in relation to the recognition of revenue on the sale of software subscription contracts. Under the Group's previous policy, revenue was recognised for software subscriptions once the customer was provided access to the software, on the basis that the buyer had access to the rewards of ownership of the product and the Group's continuing involvement was not significant. The new policy therefore results in a deferral of revenue.

*(iii) Impact of the change*

To reflect this change in accounting policy, the following adjustments were made to the amounts recognised in the balance sheet at the date of initial application (1 July 2015):

| | As at 30 June 2015 $ | Impact of AASB 15 $ | As at 1 July 2015 $ |
|---|---|---|---|
| Deferred revenue | - | 781,995 | 781,995 |
| Accumulated losses | (5,715,330) | (781,995) | (6,497,325) |

In addition, the following adjustments have been made to restate the consolidated balance sheet at the end of the comparative period (30 June 2016):

| | 30 June 2016 Previously Presented $ | Impact of AASB 15 $ | 30 June 2016 Restated $ |
|---|---|---|---|
| Deferred revenue | - | 801,255 | 801,255 |
| Accumulated losses | (8,190,251) | (801,255) | (8,991,506) |

*(iii) Impact of the change (continued)*

The following adjustments have been made to restate the consolidated statement of comprehensive income for the year ended (30 June 2016):

| | 30 June 2016 Previously Presented $ | Impact of AASB 15 $ | Restated $ |
|---|---|---|---|
| Total revenue and income | 3,181,584 | (19,260) | 3,162,324 |
| Loss before income tax expense | (2,474,920) | (19,260) | (2,494,180) |
| Basic and diluted loss per share | (0.963) | (0.008) | (0.971) |

*(iv) Disaggregation of revenue*

| | **30 June 2017 $** | **30 June 2016 $** |
|---|---|---|
| **Heading** | | |
| Software subscription revenue recognised over time | **2,183,461** | 2,012,216 |
| Other revenue recognised at a point in time | **569,511** | 709,749 |
| Revenue from contracts with customers | **2,752,972** | 2,721,965 |
| | | |
| Interest received | **26,275** | 444 |
| Other revenue | **-** | 439,915 |
| | **2,779,247** | 3,162,324 |

## 4 Income tax expense

### (a) Income tax expense

| | **Consolidated entity** **2017 $** | 2016 $ |
|---|---|---|
| *Current tax* | | |
| Current tax on profits for the year | **38,772** | - |
| **Total current tax expense** | **38,772** | - |
| | | |
| **Income tax expense** | **38,772** | - |

### (b) Numerical reconciliation of income tax expense to prima facie tax payable

| | **Consolidated entity** **2017 $** | Restated 2016 $* |
|---|---|---|
| Loss before income tax expense | **(3,435,685)** | (2,494,180) |
| Tax at the Australian tax rate of 30.0% (2016 - 30.0%) | **(1,030,706)** | (748,254) |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | | |
| Tax effect of amounts not deductible / (assessable) in calculating taxable income | **202,090** | 655,116 |
| Deferred tax asset not brought to account on tax losses and temporary differences | **811,845** | 93,138 |

**(b) Numerical reconciliation of income tax expense to prima facie tax payable (continued)**

| | Consolidated entity 2017 $ | Restated 2016 $* |
|---|---|---|
| Subtotal | **(16,771)** | - |
| Difference in overseas tax rates | **16,771** | - |
| Adjustments for current tax of prior periods | **38,772** | - |
| Income tax expense | **38,772** | - |

* Income tax attributable to the New Zealand Subsidiary has been calculated at the tax rate of 28% (2016: 28%)

*Unrecognised deferred tax assets*

| | 2017 | 2016 |
|---|---|---|
| Temporary differences | **593,163** | 49,445 |
| Tax losses - Australian | **1,336,504** | 99,943 |
| Capital losses - Australian | **600** | - |
| Tax losses - Overseas | **204,097** | 56,620 |
| Offset against deferred tax liabilities | **-** | (180,203) |
| Deferred tax assets not brought to account | **2,134,364** | 25,805 |

## 5 Financial assets and financial liabilities

**(a) Cash and cash equivalents**

| | Consolidated entity 2017 $ | 2016 $ |
|---|---|---|
| **Current assets** | | |
| Cash at bank and in hand | **1,375,812** | 4,170,332 |

*(i) Reconciliation to cash flow statement*

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

| | Consolidated entity 2017 $ | 2016 $ |
|---|---|---|
| Balance as above | **1,375,812** | 4,170,332 |
| Bank overdraft | **(105,519)** | (267,760) |
| Balances per consolidated statement of cash flows | **1,270,293** | 3,902,572 |

The total value of available bank overdraft facilities was $333,392 (2016: $334,910) of which $105,519 (2016: $267,760) was drawn.

**(b) Trade and other receivables**

| | Consolidated entity 2017 Total $ | 2016 Total $ |
|---|---|---|
| Trade receivables | **275,281** | 424,232 |
| Other receivables | **19,712** | 19,802 |
| Prepayments | **28,280** | - |
| | **323,273** | 444,034 |

No receivables are impaired or past due.

**(c) Trade and other payables**

| | Consolidated entity 2017 $ | 2016 $ |
|---|---|---|
| **Current liabilities** | | |
| Trade payables | **406,671** | 834,542 |
| Other payables | **21,746** | 20,682 |
| | **428,417** | 855,224 |

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.

**(d) Borrowings**

| | | Consolidated entity | | | | | |
|---|---|---|---|---|---|---|---|
| | | **2017 $** | | | 2016 $ | | |
| | Notes | **Current** | **Non-current** | **Total** | Current | Non-current | Total |
| *Secured* | | | | | | | |
| Bank loans | | **-** | **-** | **-** | 462,327 | - | 462,327 |
| Other loans | | **-** | **-** | **-** | - | 38,123 | 38,123 |
| Total secured borrowings | | **-** | **-** | **-** | 462,327 | 38,123 | 500,450 |
| *Unsecured* | | | | | | | |
| Other loans | | **83,571** | **-** | **83,571** | 215,817 | - | 215,817 |
| Total unsecured borrowings | | **83,571** | **-** | **83,571** | 215,817 | - | 215,817 |
| Total borrowings | | **83,571** | **-** | **83,571** | 678,144 | 38,123 | 716,267 |

**(d) Borrowings (continued)**

Other loans as at 30 June 2017 consist of the following:

| Item | Balance ($) |
|---|---|
| Insurance funding | 12,966 |
| Car lease liability | 70,605 |
| **Total** | 83,571 |

**(e) Deferred Revenue**

| | **2017** | Restated 2016 |
|---|---|---|
| | **$** | $ |
| Carrying amount at start of year | **801,255** | 781,995 |
| Value of software subscriptions sold | **2,165,275** | 2,029,886 |
| Amounts credited to software revenue during year | **(2,183,461)** | (2,012,216) |
| Foreign exchange movement | **14,433** | 1,590 |
| | **797,502** | 801,255 |

Included within amounts credited to software revenue during the year is $801,255 (2016: $781,995) that was included in the contract liability balance at the beginning of the period. Management expects that all (2016: all) of the closing deferred revenue balances will be recognised as revenue during the next reporting period.

## 6 Non-financial assets and liabilities

**(a) Property, plant and equipment**

| **Consolidated entity Non-current** | **Machinery and vehicles $** | **Computer Equipment $** | **Plant and equipment $** | **Furniture, fittings and equipment $** | **Leasehold improvements $** | **Total $** |
|---|---|---|---|---|---|---|
| **At 1 July 2015** | | | | | | |
| Cost | 74,928 | 24,780 | 5,352 | 17,725 | 2,402 | 125,187 |
| Accumulated depreciation | (63,110) | (10,431) | (5,134) | (10,495) | (1,276) | (90,446) |
| Net book amount | 11,818 | 14,349 | 218 | 7,230 | 1,126 | 34,741 |
| **Year ended 30 June 2016** | | | | | | |
| Opening net book amount | 11,818 | 14,349 | 218 | 7,230 | 1,126 | 34,741 |
| Additions | 82,953 | 4,416 | - | - | 2,448 | 89,817 |
| Disposal / Written off | (12,116) | (234) | - | - | (1,208) | (13,558) |
| Depreciation charge | (23,009) | (8,249) | (68) | (1,230) | (180) | (32,736) |
| Exchange differences | 845 | 1,026 | 16 | 516 | 82 | 2,485 |
| Closing net book amount | 60,491 | 11,308 | 166 | 6,516 | 2,268 | 80,749 |
| **At 30 June 2016** | | | | | | |
| Cost | 112,783 | 26,867 | 5,735 | 30,484 | 2,448 | 178,317 |
| Accumulated depreciation | (52,292) | (15,559) | (5,569) | (23,968) | (180) | (97,568) |
| Net book amount | 60,491 | 11,308 | 166 | 6,516 | 2,268 | 80,749 |

**(a) Property, plant and equipment (continued)**

**Consolidated entity**

| | | | | | | |
|---|---|---|---|---|---|---|
| **Year ended 30 June 2017** | | | | | | |
| Opening net book amount | 60,491 | 11,308 | 166 | 6,516 | 2,268 | 80,749 |
| Additions | - | 45,929 | - | 41,030 | 1,557 | 88,516 |
| Disposal / Written off | - | - | (164) | (109) | - | (273) |
| Depreciation charge | (17,941) | (16,977) | - | (3,241) | (278) | (38,437) |
| Exchange differences | (419) | (158) | (2) | (39) | (11) | (629) |
| Closing net book amount | 42,131 | 40,102 | - | 44,157 | 3,536 | 129,926 |
| | | | | | | |
| **At 30 June 2017** | | | | | | |
| Cost | 112,272 | 72,674 | - | 70,497 | 3,995 | 259,438 |
| Accumulated depreciation and impairment | (70,141) | (32,572) | - | (26,340) | (459) | (129,512) |
| Net book amount | 42,131 | 40,102 | - | 44,157 | 3,536 | 129,926 |

*(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 3 - 5 years
- Purchased software 2 - 4 years
- Furniture, fittings and equipment 10 - 15 years
- Leasehold improvements 10 - 25 years

See note 1(h) for the other accounting policies relevant to property, plant and equipment.

**(b) Intangible assets**

| **Consolidated entity Non-Current assets** | **Internally generated software $** | **Purchased software $** | **Total $** |
|---|---|---|---|
| **At 1 July 2015** | | | |
| Cost | 1,683,840 | - | 1,683,840 |
| Accumulated amortisation and impairment | (458,628) | - | (458,628) |
| Net book amount | 1,225,212 | - | 1,225,212 |
| | | | |
| **Year ended 30 June 2016** | | | |
| Opening net book amount | 1,225,212 | - | 1,225,212 |
| Additions - internal development | 405,426 | - | 405,426 |
| Exchange differences | (1,162) | - | (1,162) |
| Amortisation charge | (283,375) | - | (283,375) |
| Closing net book amount | 1,346,101 | - | 1,346,101 |
| | | | |
| **At 30 June 2016** | | | |

**(b) Intangible assets (continued)**

| Consolidated entity<br>Non-Current assets | Internally generated software<br>$ | Purchased software<br>$ | Total<br>$ |
|---|---|---|---|
| Cost | 2,076,884 | 4,487 | 2,081,371 |
| Accumulated amortisation and impairment | (730,783) | (4,487) | (735,270) |
| Net book amount | 1,346,101 | - | 1,346,101 |
| | | | |
| **Year ended 30 June 2017** | | | |
| Opening net book amount | 1,346,101 | - | 1,346,101 |
| Additions - purchases | - | 36,069 | 36,069 |
| Additions - internal development | 83,300 | - | 83,300 |
| Exchange differences | 44,028 | - | 44,028 |
| Amortisation charge | (306,213) | - | (306,213) |
| Depreciation charge | - | (4,969) | (4,969) |
| Closing net book amount | 1,167,216 | 31,100 | 1,198,316 |
| | | | |
| **At 30 June 2017** | | | |
| Cost | 2,204,212 | 41,760 | 2,245,972 |
| Accumulated amortisation and impairment | (1,036,996) | (10,660) | (1,047,656) |
| Net book amount | 1,167,216 | 31,100 | 1,198,316 |

The Group amortises intangible assets with a limited useful life using the straight-line method over the following years:

- IT Development and Software 5 - 7 years

**(c) Employee benefit obligations**

| | | Consolidated entity | | | | | |
|---|---|---|---|---|---|---|---|
| | | **2017 $** | | | 2016 $ | | |
| | Notes | **Current** | **Non-current** | **Total** | Current | Non-current | Total |
| Leave obligations (i) | | **187,040** | **-** | **187,040** | 124,817 | - | 124,817 |

*(i) Leave obligations*

The leave obligations cover the Group's liability for annual leave.

The current portion of this liability includes all of the accrued annual leave, the unconditional entitlements to long service leave where employees have completed the required year of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision of $187,040 (2016 - $124,817) is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations. 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.

## 7 Equity

### (a) Share capital

| | Notes | 2017 $ | 2017 Shares | 2016 $ | 2016 Shares |
|---|---|---|---|---|---|
| Ordinary shares | | | | | |
| Opening balance | | **12,164,246** | **565,226,065** | 6,141,516 | 1,323,336 |
| Share issue 31 December 2015 | | **-** | **-** | 82,600 | 28,150 |
| Completion shares | | **-** | **-** | - | 217,273 |
| Sale of shares (1) | | **-** | **-** | - | (1,568,759) |
| Vault Intelligence residual shares | | **-** | **-** | - | 98,726,065 |
| Public offer share issue | | **1,657,776** | **55,259,995** | 4,300,000 | 215,000,000 |
| Vendor shares | | **-** | **-** | 1,974,521 | 250,000,000 |
| Officer shares | | **-** | **-** | 30,000 | 1,500,000 |
| Costs of issue | | **(144,000)** | **-** | (364,391) | - |
| Contingent rights conversion | | **-** | **75,000,000** | - | - |
| | | **13,678,022** | **695,486,060** | 12,164,246 | 565,226,065 |
| **Contingent share rights[2]** | | | | | |
| Opening balance | | **-** | **75,000,000** | - | - |
| Vendor consideration | | **-** | **-** | - | 75,000,000 |
| Conversion of contingent rights | | **-** | **(75,000,000)** | - | - |
| Closing balance | | **-** | **-** | - | 75,000,000 |

1 - Relates to the acquisition of NGBI by Vault Intelligence (Credo Resources).
2- The contingent share rights were issued on 22 June 2016 as part consideration for the acquisition of the NGBI Group issued during the period.

The ordinary shares participate in dividends and the proceeds on winding-up of the parent entity in proportion to the number of shares held. Ordinary shares entitle shareholders to a vote at general meetings.

The contingent share rights shares do not participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held nor do they entitle shareholders to a vote at general meetings.

Each contingent share converted into one (1) fully paid ordinary share in the capital of Vault Intelligence Limited on 9 November 2016 upon the Group receiving confirmation from the Group's previous auditor, Crowe Horwath, that the Group achieved its Performance Milestone for the year ended 30 June 2016.

*(i) Options*

Information relating to the Employee Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the reporting year, is set out in note 17.

For information relating to options issued to key management personnel during the year, refer to note 7(b)(ii)

The total number of options outstanding at 30 June 2017 is 62,300,000 (30 June 2016: 60,300,000)

### (b) Other reserves

*(i) Nature and purpose of other reserves*

*Share-based payments*

The options reserve is used to recognise:

- the grant date fair value of options issued to employees but not exercised

**(b) Other reserves (continued)**

*(i) Nature and purpose of other reserves (continued)*

*Share-based payments (continued)*

- the grant date fair value of shares issued to employees
- the grant date fair value of deferred shares granted to employees but not yet vested

*Foreign currency translation*

Exchange differences arising on translation of the foreign controlled entity's functional currency into the Group's presentation currency are recognised in other comprehensive income as described in note 1(f) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

| | Consolidated entity | |
|---|---|---|
| | **2017** | 2016 |
| | **$** | $ |
| Foreign currency translation reserve | **(189,605)** | (210,511) |
| Option reserve | **883,998** | 289,825 |
| | **694,393** | 79,314 |

*(ii) Option Reserve*

| | **2017 $** | **2017 No.** | 2016 $ | 2016 No. |
|---|---|---|---|---|
| Vault Intelligence Residual Options (i) | **-** | **-** | - | 13,000,000 |
| Officers Issue (ii) | **-** | **2,300,000** | - | 2,300,000 |
| KPI Options (iii) | **169,750** | **20,000,000** | - | 20,000,000 |
| Broker Options (iv) | **289,825** | **25,000,000** | 289,825 | 25,000,000 |
| Management Options (v) | **388,068** | **12,000,000** | - | - |
| Management Options (vi) | **28,537** | **2,000,000** | - | - |
| Management Options (vii) | **7,818** | **1,000,000** | - | - |
| **Closing balance** | **883,998** | **62,300,000** | 289,825 | 60,300,000 |

(i) The amount payable upon exercise of each residual Option was $0.25 (Exercise Price) and each Option expired at 5.00pm (WST) on 6 December 2016 (Expiry Date). No Options were exercised and all lapsed on the Expiry Date.

(ii) The Officer's Issue have an exercise price of $0.04 (Exercise Price) and an expiry date of three years from the date on which the options were issued (Expiry Date). They were issued on 22 June 2016.

(iii) The KPI Options have an exercise price of $0.04 (Exercise Price) and an expiry date of three years from the date on which the KPI Options were issued (Expiry Date). Subject to satisfaction of the Vesting Conditions, the KPI Options are exercisable at any time on or prior to the Expiry Date. They were issued on 22 June 2016. The KPI Options shall be subject to the following vesting conditions (Vesting Conditions):

| Recipient | No. of KPI Options | Vesting Conditions (1) |
|---|---|---|
| David Moylan | 5,000,000 | Company achieving audited revenue of $4 million in a financial year |
| Trent Innes | 5,000,000 | Company achieving audited revenue of $4 million in a financial year |
| Robert Kirtlan | 2,500,000 | Company achieving audited revenue of $4 million in a financial year |
| Samuel Smart | 2,500,000 | Company achieving audited revenue of $4 million in a financial year |
| David Moylan | 5,000,000 | Company achieving audited revenue of $6 million in a financial year |

### (b) Other reserves (continued)

*(ii) Option Reserve (continued)*

(1) - revenue target vesting conditions calculated in accordance with the revenue recognition policy that was in effect on grant date.

(iv) The Broker Options have an exercise price of $0.025 (Exercise Price) and an expiry date of three years from the date on which the Broker Options were issued (Expiry Date). They were issued at an issue price of $0.0001 each on 22 June 2016.

(v) Options issued pursuant to the Employee Incentive Scheme subject to the Group achieving audited revenue of $4 million in a financial year.

(vi) Options issued pursuant to the Employee Incentive Scheme subject to the Group achieving audited revenue of $6 million in a financial year.

(vii) Options issued pursuant to the Employee Incentive Scheme subject to the Group achieving audited revenue of $10 million in a financial year.

The option reserve records items recognised as expenses over the vesting period on valuation of employee share options. Officer options vested on grant and have been expensed. The expense will recorded over the time/period the options take to vest.

*(iii) Foreign Currency Translation Reserve*

| | Consolidated entity | |
|---|---|---|
| | **2017** | 2016 |
| | **$** | $ |
| Opening balance | **(210,511)** | (222,277) |
| Movements on translation of foreign subsidiary operations during and at period end | **20,906** | 11,766 |
| **Closing balance** | **(189,605)** | (210,511) |

## 8 Loss per share

### (a) Basic loss per share

| | Consolidated entity | |
|---|---|---|
| | **2017** | 2016 |
| Loss used to calculate basic EPS | **(3,474,457)** | (2,494,181) |

### (b) Diluted loss per share

Diluted loss per share is the same as basic loss per share as there is no dilutive impact.

There are 62,300,000 (2016: 60,300,000) options on issue that may result in a dilutive effect in future periods.

### (c) Weighted average number of shares used as the denominator

| | Consolidated entity | |
|---|---|---|
| | **2017** | 2016 |
| | **Number** | Number |
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | **622,896,969** | 256,890,187 |

**(c) Weighted average number of shares used as the denominator (continued)**

## 9 Commitments

### (a) Operating Lease Commitments

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

| | Consolidated entity | |
|---|---|---|
| | **2017** | 2016 |
| | **$** | $ |
| Commitments for minimum lease payments in relation to operating leases are payable as follows: | | |
| Within one year | **259,965** | 117,955 |
| Later than one year but not later than five years | **533,184** | 471,820 |
| Later than five years | **-** | 19,660 |
| | **793,149** | 609,435 |

## 10 Financial risk management

**Financial Risk Management Policies**

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.

### (a) Market risk

*(i) Foreign exchange risk*

Foreign exchange risk arises from commercial transactions and recognised assets and liabilities denominated in a currency that is not the respective Group entity's functional currency. The Group seeks to mitigate the effect of its foreign currency exposure by seeking the best foreign exchange rate when transferring Australian dollars (AUD) to New Zealand dollars (NZD).

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 the New Zealand 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 New Zealand entities at 30 June 2017 was $1,380,261 (2016: $822,457). Over the period funds have been transferred, the NZD has fluctuated between a 1% to 3% above and below the average rate for the period and the opening and closing rate has changed very little. A movement of 3% in the AUD/NZD rate would translate to a movement of AUD$41,000 to profit and loss (+ and/or -).

**(a) Market risk (continued)**

*(i) Foreign exchange risk (continued)*

The New Zealand subsidiary is not exposed to foreign exchange risk as all transactions are denominated in its functional currency being NZD.

*(ii) Cash flow and fair value interest rate risk*

The Group's cash-flow interest rate risk primarily arises from cash at bank and deposits subject to market bank rates. The Group does not enter into hedges. An increase/(decrease) in interest rates by 0.5% during the whole of the respective periods would have led to an increase/(decrease) in both equity and losses of less than $6,400. 0.5% was thought to be appropriate because it represents two 0.25 basis point rate rises/falls, which management considers appropriate in the current economic climate. The majority of cash is held in cash management accounts earning interest income at a rate of 0.802% (2016: 2.1% p.a.).

**(b) 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.

*(i) Risk management*

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 National Australia Bank and Westpac (which have 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.

**(c) 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 and in addition, has undrawn financing facilities (see note 5(a)). Trade and other payables are due within 3 months. The term loans the Group held at 30 June 2016 were repaid in full during the 2017 financial year.

*(i) Maturities of financial liabilities*

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for:

(a) all non-derivative financial liabilities, and
(b) net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

**(c) Liquidity risk (continued)**

*(i) Maturities of financial liabilities (continued)*

| **Contractual maturities of financial liabilities** | **Within 1 Year** | **1 to 5 Years** | **Total contractual cash flows** |
|---|---|---|---|
| **At 30 June 2017** | **$** | **$** | **$** |
| **Non-derivatives** | | | |
| Trade payables and other payables | **426,426** | **-** | **426,426** |
| Bank overdraft | **105,519** | **-** | **105,519** |
| Other unsecured loans | **83,571** | **-** | **83,571** |
| **Total non-derivatives** | **615,516** | **-** | **615,516** |
| At 30 June 2016 | | | |
| **Non-derivatives** | | | |
| Trade payables and other payables | 875,474 | - | 875,474 |
| Bank overdraft | 267,760 | - | 267,760 |
| Bank loans | 462,327 | - | 462,327 |
| Other unsecured loans | 215,817 | - | 215,817 |
| Other unsecured loans | - | 38,123 | 38,123 |
| **Total non-derivatives** | 1,821,378 | 38,123 | 1,859,501 |

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.

## 11 Segment information

### (a) Identification of reportable segments

The Group operates in one operating segment being the provision of cloud-based and mobile EHS software within 2 jurisdictions, being Australia and New Zealand. Software revenue and other operating income for the Group in each jurisdiction was as follows:

| | Australia | New Zealand | **Total** |
|---|---|---|---|
| | $ | $ | **$** |
| **2017 operating segments** | | | |
| Software revenue | 597,610 | 1,585,851 | **2,183,461** |
| Other revenue | 78,121 | 491,390 | **569,511** |
| Total | 675,731 | 2,077,241 | **2,752,972** |

| | Australia | New Zealand | **Total** |
|---|---|---|---|
| | $ | $ | **$** |
| **2016 operating segments (Restated)** | | | |
| Software revenue | 667,685 | 1,344,532 | **2,012,216** |
| Other revenue | 144,207 | 565,542 | **709,749** |
| Total | 811,892 | 1,910,074 | **2,721,965** |

## 12 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the Parent entity, its related practices and non-related audit firms:

### (a) PricewaterhouseCoopers

*(i) Audit and other assurance services*

| | Consolidated entity | |
|---|---|---|
| | **2017** | 2016 |
| | **$** | $ |
| Audit and review of financial statements | **52,000** | - |
| Total remuneration of PricewaterhouseCoopers Australia | **52,000** | - |

### (b) Crowe Horwath Australia

*(i) Audit and other assurance services*

| | | |
|---|---|---|
| Audit and review of financial statements | **-** | 46,750 |
| **Total remuneration of Crowe Horwath** | **52,000** | 46,750 |

The Group resolved at its Annual General Meeting on 30 November 2016 that Crowe Horwath be removed as the auditor of the Company and PricewaterhouseCoopers be appointed, as of the date of the Annual General Meeting.

## 13 Interests in other entities

### (a) Material subsidiaries

The Group's principal subsidiaries at 30 June 2017 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.

| **Name of entity** | **Place of business/ country of incorporation** | **Ownership interest held by the Company** | |
|---|---|---|---|
| | | **2017** | 2016 |
| | | **%** | % |
| Vault Intelligence Limited (formerly Credo Resources Limited) | Australia | **-** | - |
| **Subsidiaries of legal parent entity:** | | | |
| NGB Industries Pty Ltd | Australia | **100** | 100 |
| Vault IQ AU Pty Ltd (formerly Vault GRC AU Pty Ltd) | Australia | **100** | 100 |
| Vault IQ NZ Ltd (formerly Vault GRC NZ Ltd) | New Zealand | **100** | 100 |
| Platinum Safety Pty Ltd | Australia | **100** | 100 |
| Ora Banda Gold Pty Ltd | Australia | **100** | 100 |

## 14 Contingent liabilities and contingent assets

The Group had no contingent liabilities or contingent assets as at 30 June 2017 (2016: Nil)

## 15 Related party transactions

### (a) Key management personnel compensation

Refer to the Remuneration Report contained in the Director's Report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2017.

| | Consolidated entity | |
|---|---|---|
| | **2017** | 2016 |
| | **$** | $ |
| Short-term employee benefits | **428,306** | 477,246 |
| Post-employment benefits (retirement benefits) | **27,792** | 5,812 |
| Share-based payments | **169,750** | 19,700 |
| | **625,848** | 502,758 |

**Key Management Personnel Equity Holdings**

Refer to the Remuneration Report contained in the Directors' report for details of the equity holdings of key management personnel.

**Other Key Management Personnel Transactions**

There have been no other transactions involving equity instruments other than those described in the remuneration report.

### (b) Transactions with other related parties

At 30 June 2017 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;
• Mr Trent Innes - $3,000 for directors fees;

At 30 June 2016 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 - $28,500 for professional services fees in relation to the listing of Vault Intelligence on the ASX;
• Mr Samuel Smart - $45,000 for professional services fees in relation to the listing of Vault Intelligence on the ASX.
• Mr Trent Innes - $6,600 (2015 - $4,400) for directors fees
• Tooronga Corporate Finance Pty Ltd, a company associated with Mr David Lightfoot - $89,000 for professional services as a director and consultant;
• Tooronga Management Pty Ltd, a company associated with Mr David Lightfoot - $36,900

Except for the above, there have been no other transactions with other related parties for the year ended 30 June 2016.

### (c) Options Holdings

Interests held by KMP to purchase ordinary shares have the following expiry dates and exercise prices.

| Issue Date | Expiry Date | Exercise Price | 2017 Number outstanding | 2016 Number Outstanding |
|---|---|---|---|---|
| 6 December 2011 | 6 December 2016 | $0.25 | - | 3,795,000 |
| 22 June 2016 | 22 June 2019 | $0.04 | 21,000,000 | 21,000,000 |
| Total | | | 21,000,000 | 24,795,000 |

### (d) Loans to/from related parties

| | Consolidated entity 2017 $ | 2016 $ |
|---|---|---|
| *Loans from associates* | | |
| Beginning of the year | **86,250** | 86,250 |
| Loan repayments made | **(86,250)** | - |
| End of year | **-** | 86,250 |

The related party loan listed above was an interest free loan from Watchdog Holdings Ltd. David Moylan is a director and shareholder of Watchdog Holdings Ltd. This was fully repaid during the financial year.

## 16 Cash flow information

### (a) Reconciliation of loss after income tax to net cash outflow from operating activities

| | Notes | Consolidated entity 2017 $ | Restated 2016 $* |
|---|---|---|---|
| Loss for the year | | **(3,474,457)** | (2,494,180) |
| Adjustment for | | | |
| Depreciation and amortisation | | **349,611** | 310,991 |
| Share-based payments | | **594,173** | 312,135 |
| Net loss on sale of non-current assets | | **273** | 12,672 |
| Net exchange differences | | **11,918** | 13,645 |
| Bad debts expense | | **20,317** | - |
| Cost of listing | | **-** | 1,667,172 |
| Change in operating assets and liabilities: | | | |
| (Increase) / decrease in trade debtors | | **145,761** | (196,696) |
| (Increase) / decrease in inventories | | **41,409** | (41,409) |
| Increase / (decrease) in trade creditors | | **(502,769)** | 371,917 |
| Decrease in income taxes payable | | **(67,238)** | - |
| Increase in employee provisions | | **62,223** | - |
| Increase/(decrease) in deferred income | | **(3,751)** | 19,260 |
| Net cash outflow from operating activities | | **(2,822,530)** | (24,493) |

## 17 Share-based payments

### (a) Options on Issue

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 per option | Share options 30 June 2017 | Share options 30 June 2016 |
|---|---|---|---|---|---|---|---|---|
| 6 Dec 2011 | 6 Dec 2016 | 0.250 | 3.38% | $0.14 | 75% | $0.0719 | - | 12,000,000 |
| 18 Apr 2011 | 6 Dec 2016 | 0.250 | 3.38% | $0.11 | 71.47% | $0.0360 | - | 1,000,000 |
| 22 Jun 2016 | 22 Jun 2019 | 0.040 | 1.68% | $0.02 | 100% | $0.0097 | 22,300,000 | 22,300,000 |
| 22 Jun 2016 | 22 Jun 2019 | 0.025 | 1.68% | $0.02 | 100% | $0.0159 | 25,000,000 | 25,000,000 |
| 5 Aug 2016 | 5 Aug 2019 | 0.040 | 1.45% | $0.049 | 100% | $0.0323 | 12,000,000 | - |
| 5 Aug 2016 | 5 Aug 2019 | 0.060 | 1.45% | $0.049 | 100% | $0.0285 | 2,000,000 | - |
| 5 Aug 2016 | 5 Aug 2019 | 0.100 | 1.45% | $0.049 | 100% | $0.0235 | 1,000,000 | - |
| **Total** | | | | | | | 62,300,000 | 60,300,000 |

All options were valued using a Black Scholes option valuation model.

Options on issue with an expiry date of 6 December 2016 expired during the 30 June 2017 year.

| | Years 2017 | Years 2016 |
|---|---|---|
| Weighted average remaining contractual life of options outstanding at end of period | 2.01 | 2.43 |

## 18 Business combination

No business combinations occurred during the year ended 30 June 2017.

On 22 June 2016 Vault Intelligence Limited (formerly Credo Resources Limited) completed the acquisition of NGB Industries Ltd and its subsidiaries (“NGBI Group”). Under Australian Accounting Standards, NGBI Group was deemed to be the accounting acquirer in this transaction. The acquisition was accounted for as a share based payment by which NGBI Group acquired the net assets and listing status of Vault Intelligence Limited (formerly Credo Resources Limited).

## 19 Parent entity financial information

### (a) Summary financial 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:

**(a) Summary financial information (continued)**

| | 2017 $ | 2016 $ |
|---|---|---|
| Balance sheet | | |
| Current assets | **1,293,119** | 4,207,439 |
| Non-current assets | **13,252** | - |
| Current liabilities | **(88,211)** | (215,945) |
| **Net Assets** | **1,218,160** | 3,991,494 |
| *Shareholders' equity* | | |
| Issued capital | **19,301,126** | 17,796,350 |
| Reserves | | |
| Share-based payments reserve | **2,185,582** | 1,262,584 |
| Accumulated losses | **(20,268,548)** | (15,067,440) |
| **Total Equity** | **1,218,160** | 3,991,494 |
| **Profit or loss for the year** | **(1,187,284)** | (7,208,356) |

**(b) Contingent liabilities of the parent entity**

The parent entity did not have any contingent liabilities as at 30 June 2017 or 30 June 2016.

**(c) Contractual commitments for the acquisition of property, plant or equipment**

The parent entity did not have any contractual commitments as at 30 June 2017 or 30 June 2016 other than to fund the commitments of its subsidiaries that are disclosed in note 9.

**(d) Determining the parent entity financial information**

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements, except as set out below.

*(i) Investments in subsidiaries, associates and joint venture entities*

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Vault Intelligence Limited. Dividends received from associates are recognised in the parent entity's profit or loss when its right to receive the dividend is established.

*(ii) Tax consolidation legislation*

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.

## Directors' Declaration

The financial report has been prepared in accordance with Accounting Standards and mandatory professional reporting requirements to the extent described in note 1.

**In the Directors' opinion:**

(a) the financial statements and notes set out on pages 18 to 50 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards - Reduced Disclosure Requirements, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

  (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the financial year ended on that date, and

(b) 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 by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001.*

This declaration is made in accordance with a resolution of Directors.

David Moylan
Director
29 September 2017

# *Independent auditor's report*

To the shareholders 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 2017 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 2017
- 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* (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.

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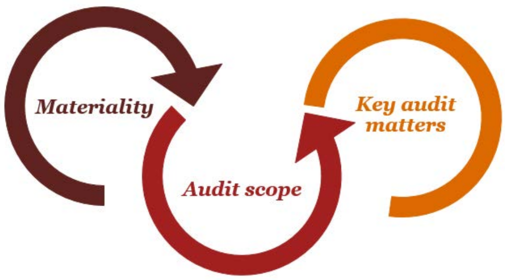
## *Material uncertainty related to going concern*

We draw attention to Note 1(a)(i) in the financial report, which indicates that the Group has incurred operating losses and negative cash flows in the current year. As a result, the continuing viability of the Group is dependent on reducing its operating costs, meeting sales forecasts and sourcing new funding through debt or equity. These conditions, along with other matters set forth in Note 1(a)(i), indicate the existence of a material uncertainty that may cast significant doubt about 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*** | ***Key audit matters*** |
|---|---|---|
| • For the purpose of our audit we used overall Group materiality of $62,000, which represents approximately 1% of the Group's total expenses.<br>• 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. | • Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.<br>• The Group operates in Australia and New Zealand. An audit team acting under our direct supervision performed certain procedures in New Zealand, as this is where certain business processes and information reside. | • Amongst other relevant topics, we communicated the following key audit matters to the Audit Committee:<br>– Revenue recognition<br>– Useful lives of intangible assets<br>– Material uncertainty related to going concern<br>• These are further described in the *Key audit matters* section of our report, except for the matter described in the *Material uncertainty related to going concern* section. |

| | |
|---|---|
| We chose total expenses because, in our view, this is the measure that is most representative of the Group's activities at this stage.<br>• We selected a 1% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds. | The majority of remaining audit procedures were 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.

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***<br>*Refer to note 3*<br><br>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:<br>• the sale of subscriptions for the Software and<br>• the provision of consulting and training services for the Software and data migration services.<br><br>The Group determined that it would elect to adopt the requirements of Accounting Standard AASB 15 *Revenue from Contracts with Customers* (AASB 15) from 1 July 2015, the beginning of the comparative financial year. AASB 15 contains specific guidance on the recognition of revenue for software licences, as well as for the Group's other services. | We performed the following audit procedures, amongst others:<br>• Developed an understanding of the nature and terms of the Software and services provided by the Group.<br>• Assessed the Group's analysis of performance obligations within customer contracts and the determination, for each obligation, of revenue recognition at either a point in time or over time against the requirements of AASB 15.<br>• Compared the conclusions reached in the Group's analysis of performance obligations and the key inputs to the subsequent calculation of revenue recognition to the terms of a sample of customer contracts. |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| Revenue recognition for the Group was a key audit matter since it is judgemental, complex and results in the timing of recognition being significantly different to the issue of the invoice and/or receipt of cash. | • For revenue streams recognised over time rather than at a point in time, tested the mathematical accuracy of the revenue allocation to each of the current and comparative financial years on a sample basis.<br><br>• For a sample of customers, tested the recognition of revenue in both the current and comparative financial years to the underlying contracts, or to invoice and cash receipt where written contracts were not in place.<br><br>Evaluated whether the financial report provided adequate disclosures regarding the impact of the change in accounting policy for revenue recognition from 1 July 2015 and the revised revenue recognition policy adopted in accordance with the requirements of Australian Accounting Standards. |
| ***Useful lives of intangible assets***<br>*Refer to note 2*<br><br>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 it will continue to derive cash flows from these assets.<br><br>As the Group continues to invest in on-going development of new and existing products, the Group has focussed on the useful lives of this existing capitalised software. On this basis, the Group has determined that software development assets have a useful life of 5 years.<br><br>This was a key audit matter because:<br><br>• intangible assets are the largest non-financial asset on the Group's balance sheet;<br><br>• judgement is required in assessing the remaining useful lives; and<br><br>• the potential impact of amortisation expense on the Group's loss. | We performed the following audit procedures, amongst others:<br><br>• Evaluated the Group's assessment that the useful lives of intangible assets remained appropriate at year end. This included discussion with relevant members of management to understand the anticipated timing of development of new platforms and the Group's historical pattern of migrating customers from existing to newly released products.<br><br>• Tested amortisation expense for these intangible assets and found the expense to be calculated consistently with the Group's stated amortisation rates. |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|

## *Other information*

The directors are responsible for the other information. The other information comprises the Directors' Report and Shareholder Information included in the Group's annual report for the year ended 30 June 2017 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 identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

## *Responsibilities of the directors for the financial report*

The directors of the 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: www.auasb.gov.au/auditors_responsibilities/ar1.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 7 to 12 of the directors' report for the year ended 30 June 2017.

In our opinion, the remuneration report of Vault Intelligence Limited for the year ended 30 June 2017 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

Pierre Dreyer
Partner

Perth
29 September 2017

## Shareholder information

The Shareholder information set out below was applicable as at 18 September 2017.

**A. Distribution of equity securities**

Analysis of numbers of equity security holders by size of holding:

| Range | Securities | % | No of Holders | % |
|---|---|---|---|---|
| 100,001 and Over | 683,747,315 | 98.31 | 311 | 47.12 |
| 10,001 to 100,000 | 10,822,710 | 1.56 | 196 | 29.70 |
| 5,001 to 10,000 | 900,000 | 0.13 | 90 | 13.64 |
| 1,001 to 5,000 | 8,781 | 0.00 | 2 | 0.30 |
| 1 to 1,000 | 7,254 | 0.00 | 61 | 9.24 |
| **Total** | 695,486,060 | 100.00 | 660 | 100.00 |
| **Unmarketable Parcels** | 1,210,484 | 0.3 | 174 | 27.06 |

**B. Equity security holders**

*Twenty largest quoted equity security holders*

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

| Name | Ordinary shares Number held | % of issued shares |
|---|---|---|
| Mr David Moylan | 80,174,839 | 11.53 |
| Mr Wayne Ackers | 64,429,909 | 9.26 |
| Bluespire Capital Pty Ltd | 45,012,475 | 6.47 |
| Pershing Australia Nominees Pty Ltd | 22,813,268 | 3.28 |
| New Frugalitas Fund Limited | 20,717,013 | 2.98 |
| Mr Jan Michael Geesink | 20,000,000 | 2.88 |
| Mr Craig Meaclem | 19,059,651 | 2.74 |
| Mr Grant Michael Roberts | 18,000,000 | 2.59 |
| Mrs Patricia Moylan | 17,177,195 | 2.47 |
| Wilford Investment Trust Limited | 16,677,195 | 2.40 |
| Mr David Kelly & Kylie Little | 10,358,507 | 1.49 |
| Mr Andrew Lucena | 10,358,506 | 1.49 |
| EMS Arcadia Pty Ltd | 10,076,000 | 1.45 |
| Forsyth Barr Custodians Ltd | 9,170,000 | 1.32 |
| Mrs Serng Yee Liew | 9,000,000 | 1.29 |
| Citicorp Nominees Pty Limited | 7,996,952 | 1.15 |
| Muel Mineral Investments Pty Ltd | 7,404,456 | 1.06 |
| Mr Thomas Fritz Ensman | 7,100,000 | 1.02 |
| Ms Wai Heng Ho | 6,500,000 | 0.93 |
| Defender Equities Pty Ltd | 6,300,000 | 0.91 |
| **Total** | 408,325,966 | 58.71 |
| **Balance of register** | 287,160,094 | 41.29 |
| **Grand total** | 695,486,090 | 100.00 |

**B. Equity security holders (continued)**

*Restricted Securities*

| Securities | Escrow period | Number of security holders | Escrowed Securities | Total Securities |
|---|---|---|---|---|
| Ordinary shares | 24 months from the date of re-quotation | 15 | 265,772,839 | 265,772,839 |
| Unlisted officer and adviser options | 24 months from the date of re-quotation | 5 | 2,300,000 | 2,300,000 |
| Unlisted KPI options | 24 months from the date of re-quotation | 4 | 20,000,000 | 20,000,000 |
| Unlisted broker options | 24 months from the date of re-quotation | 9 | 25,000,000 | 25,000,000 |

*Unquoted equity securities*

There are 15 holders of 265,772,839 escrowed fully paid ordinary shares.

| Holders of more than 20%: | **Holding** | **%** |
|---|---|---|
| David Moylan | 80,174,839 | 30.17 |
| Wayne Ackers | 64,429,909 | 24.24 |

There are 9 holders of 22,300,000 unlisted $0.04 Options expiring 22 June 2019.

| Holders of more than 20%: | **Holding** | **%** |
|---|---|---|
| David Moylan | 10,000,000 | 44.84 |
| Trent Innes | 5,000,000 | 22.42 |

There are 9 holders of 25,000,000 unlisted $0.025 Options expiring 22 June 2019.

| Holders of more than 20%: | **Holding** | **%** |
|---|---|---|
| Argonaut Investments Pty Ltd | 23,920,000 | 95.68 |

*Employee Incentive Scheme*

There are 5 holders of 15,000,000 options with vesting conditions that were issued to officers of the company:

| No. of Options | Exercise Price | Vesting Condition |
|---|---|---|
| 12,000,000 | $0.04 | Company achieving audited revenue of $4 million in a financial year |
| 2,000,000 | $0.06 | Company achieving audited revenue of $4 million in a financial year |
| 1,000,000 | $0.10 | Company achieving audited revenue of $4 million in a financial year |

**C. Substantial holders**

Substantial holders in the company are set out below:

| | Number held | % |
|---|---|---|
| Mr David Moylan | 80,174,839 | 11.53% |
| Mr Wayne Ackers | 64,429,909 | 9.26% |
| Bluespire Capital Pty Ltd | 45,012,475 | 6.47% |

**D. Voting rights**

Each fully paid ordinary share carries voting rights of one vote per share along with rights to dividends.

**E. Market Buy Back**

There is no current on market buy-back.