

Appendix 4D Half Year Financial Report

Name of entity	VAULT INTELLIGENCE LIMITED
ABN	15 145 040 857
Reporting period	Half Year ended 31 December 2018
Previous corresponding period	Half Year ended 31 December 2017

The information contained in this report should be read in conjunction with the most recent annual financial report.

RESULTS FOR ANNOUNCEMENT TO THE MARKET

			31 December 2018	31 December 2017
Revenue from ordinary activities	Up	19%	1,676,038	1,404,990
(Loss) from ordinary activities after income tax attributable to members	Down	23%	(2,309,466)	(1,870,467)
Total comprehensive (loss) attributable to members	Down	35%	(2,419,910)	(1,794,650)
<i>The company does not have a dividend policy.</i>				

NTA Backing	31 December 2018	31 December 2017
Net tangible asset/(liability) backing per ordinary share	3.397 cents	0.493 cents [4.93 cents (post consolidation comparative)]*

BRIEF EXPLANATION OF THE ABOVE FIGURES

Vault's primary source of revenue, software revenue, is delivered via its cloud based enterprise platform and accompanying mobile apps. Revenue from providing services via the Vault's enterprise platform and applications is recognised over the subscription period of the customer's contract. This results in the recognition of a liability on the balance sheet with respect to deferred income to be recognised over the course of the remainder of the subscription period.

Vault conducted a 1:10 share consolidation during November 2018 which reduced the total shares on issue. This is the primary reason for the increase in the net tangible assets per ordinary share. The comparative NTA backing at 31 December 2017 shows post consolidation comparative figure.

Vault has continued to invest in its growth strategy in the half year by:

- Expanding and adding experience to its development team, including UX/UI designers and internal testing capability;
- Strengthening its product development processes and moving to the Agile development framework;
- Launching a new product including, Vault Solo, a solution for protecting lone workers which made its first sales during the period;
- Continued refinement of the Vault 3 enterprise platform; and
- Investing in modern systems to allow efficient and scalable growth.

Please refer to the director's report for further details of the company's results.

Details of Controlled Entities

There were no entities gained or lost during the period. Vault establish a wholly owned subsidiary in China on 29 June 2018, Vault Software Technology (Shanghai) Limited Company. The entity did not make a material contribution to the period's results.

Associates / Joint Venture Entities

Not applicable. Vault Intelligence Limited has not engaged in the acquisition of associates nor has it engaged in any joint ventures in the half-year ended 31 December 2018.

Dividends

No dividends have been declared for the half-year ended 31 December 2018 or for the previous corresponding period.

Accounting Standards

AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Interpretations have been used in compiling the information in this Appendix 4D.

Review Conclusion

This report is based on the financial statements for the half-year ended 31 December 2018. The financial statements have been subject to a review by an independent auditor and the review is not subject to qualification.



David Moylan
Managing Director / Chief Executive Officer
Date: 28 February 2019



Vault Intelligence Limited

ABN 15 145 040 857

Interim report

for the half-year 31 December 2018

Vault Intelligence Limited

ABN 15 145 040 857

Interim report - 31 December 2018

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Directors' report

Your Directors present their report on the Consolidated entity consisting of Vault Intelligence Limited ("Company") and the entities it controlled at the end of, or during, the half-year 31 December 2018. 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 period and up to the date of this report unless otherwise stated:

- David Moylan
- Robert Kirtlan
- David Rose
- Evonne Collier (appointed 13 July 2018)
- Ross Jenkins (13 July 2018)

Graeme Smith was appointed as company secretary on 1 July 2018 and continues in office at the date of this report.

Principal activities

During the year the principal continuing activity of the Group was the provision of cloud-based and mobile Environmental Health and Safety (EHS) software.

Review of operations

The first six months of the 2018-19 financial year has been a strong continuation of the development and growth of Vault. During this period, the Group:

- Achieved record new Contracted Annualised Recurring Revenue (CARR) for the period;
- Recorded cash receipts from customers of approximately \$2.0M;
- Completed a successful \$5.0m capital raising (before costs);
- Significantly increased sales pipe and opportunities;
- Launched the new Solo App for mobile phones and the Solo App on the Samsung Galaxy watch, a global first;
- Continued the enhancement of existing Apps and development of the small business App suite;
- Launched the localised China version of Vault Enterprise;
- Signed a major distribution agreement in Singapore which is poised to deliver strong results; and
- Continued to add additional sales, technical and support personnel.

The Group is pleased with its development progress particularly the Vault Solo App which is a global wearable first and is attracting significant market interest. The Group has also completed the Enterprise V3 upgrade. This process has taken some time and affected sales however, the platform is now working to specification and is being rolled out.

Major appointments have been made including David Rose, a non-executive director since 2017, who has taken the role of Chief Operating Officer. David has a strong background in IT operations and brings a wealth of experience and new skills to the role. The development team has been very impressive in the development of the Solo App on the Galaxy watch and its growing capabilities.

The Group is going through a significant growth phase in development which is being led by the new Solo App. The Solo App is a genuine disruptive product within the risk EHS sector and interest in the product has tested the Groups's resources and skill set. The recent capital raising has assisted in ensuring delivery by adding personnel specific to the Solo product and also across the other Vault products.

Review of operations (continued)

Technology Development

The Group commenced work on a new User Interface/User Experience (UI/UX) refresh of the existing Vault 2 (V2) Enterprise Platform in 2017. It soon became apparent during this process the Group should also look at creating new workflows and other enhancements which meant the project soon became a major revamp of V2 and has recently been launched as V3. As a consequence, the V3 launch was pushed from an initial FYQ2 2017 launch to early 2018 launch which in turn has pushed through to the current half year. This caused a delay on delivery to a number of customers who wanted V3 product and some sales were cancelled. The upgraded V3 system is now working well and is being rolled out to new and existing customers with the second quarter of 2018-2019 setting a record for new sales.

Elsewhere technically, the Group has continued the development and enhancement of new Apps. Of significance is the launch of the Solo App for the phone and the Solo App on the Samsung Galaxy watch, a first for the EHS and risk sector. The Solo App in both forms is attracting significant interest and the Group has high expectations for its effect on future sales growth.

China and South-East Asia

The Group continued with its constrained capital approach to the China launch adding one senior and experienced IT Shenzhen based professional to work with its Shanghai based commercial manager. The Group completed conversion of the Enterprise Platform to Chinese and quality assurance was completed late in the calendar year. The product is now being demonstrated to various groups and product trials will ramp up in March 2019. The China risk and EHS sector remains in its infancy and the Group is encouraged by the interest shown in the Checklist App and now the Enterprise product.

The Company has added new enhancements to the Chinese Checklist product and achieved a contracted sale in Q2 to a power station.

In Singapore the Group has appointed major distribution group, ACA Pacific Technologies, to sell Solo and other product. ACA has 3,000 resellers in the SE Asia and Aust/NZ region. Solo trials are underway and more are planned. The Group is excited with progress of the Solo product out of Singapore and expects sales generation in the third quarter.

Customer Success Programs

As sales growth and technical development continues the Group strives to enhance and improve its customer success programs. New systems for implementation and training are being rolled out to facilitate a better integration and implementation experience with the Solo product subject to intense work on implementation process.

Corporate

Capital Raise

The Group conducted a successful capital raising in October 2018 which was well supported by institutional and sophisticated high net worth investors. The Group issued 166,666,667 new shares at \$0.03 per to raise \$5.0 million before costs.

Share consolidation

Shareholders voted for consolidation of the share capital of the Company on a one share for every ten shares held basis.

Director Option Issue

25 million options with performance vesting conditions were issued on 23 November 2018 pursuant to shareholder approval received at the Group's November 2018 AGM. These options were subject to the 1:10 share consolidation noted above. The terms of the options issued are shown below, adjusted for the share consolidation which occurred after the issue.

Review of operations (continued)

No. of Options	Exercise Price	Expiry	Vesting Condition
200,000	\$0.50	3 years	On achievement of \$4M annual recurring revenue
200,000	\$0.60	3 years	On achievement of \$5M annual recurring revenue
500,000	\$0.50	3 years	On achievement of \$8M annual recurring revenue
500,000	\$0.60	3 years	On achievement of \$12M annual recurring revenue
200,000	\$0.30	3 years	On achievement of \$4M annual recurring revenue
400,000	\$0.30	3 years	On achievement of \$5M annual recurring revenue
500,000	\$0.30	3 years	None - Vested immediately

For this purpose, annual recurring revenue represents the annual value of all active software subscriptions to Vault's services.

Employee Option Issue

1 million options with performance vesting conditions were issued on 31 December 2018 pursuant to the Employee Incentive Scheme. These options were subject to the 1:10 share consolidation noted above. The terms of the options issued are shown below, adjusted for the share consolidation which occurred after the issue.

No. of Options	Exercise Price	Expiry	Vesting Condition
500,000	\$0.40	31 Aug 2020	On achievement of \$4M annual recurring revenue
500,000	\$0.60	31 Aug 2020	On achievement of \$6M annual recurring revenue

Financial Results

The Group generated a loss of \$2.31M which is 23% higher than the prior year, whilst revenue was up 19% to \$1.68M. Higher than normal costs were incurred particularly in Q2, with significant technology expenses incurred through payment in advance for the full year to reduce overall costs. The Group has also lodged R&D, Tax and Grant claims with the Australian and New Zealand Governments, which will result in cash receipts of >\$800k in Q3 / Q4.

Increased costs and cash impacts in Q1 and Q2 are in general constituted by the following factors:

- Prepayment of annual software licenses in Q1 and Q2;
- The Group has continued to expand its operations in Australia through building a sales, marketing and development team resulting in an increase in employment costs;
- Expansion into China and South-East Asia has led to costs not currently matching revenue as product for these markets is developed, enhanced and marketed;
- Administration costs continued to increase as items such as new tech and support hires, travel expenses, office premises and similar costs associated with an expanding business impacted the bottom line;
- Accelerated Go-To-Market plans and positioning for Vault Solo from a global perspective; and
- Accelerated Technical Development of Solo to increase capabilities and disruption potential of the Solo Product.

Significant changes in the state of affairs

Significant changes in the state of affairs of the Group during the financial period were as follows:

Contributed equity increased by \$4,785,064 (from \$17,901,068 to \$22,686,132) net of transaction costs as the result of a capital raise to institutional and sophisticated investors. Details of the changes in contributed equity are disclosed in note 3 to the financial statements.

Events since the end of the half-year period end

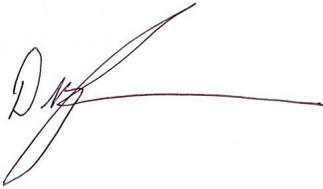
No matter or circumstance has arisen since 31 December 2018 that has significantly affected the Group's operations, results or state of affairs, or may do so in future periods.

Directors' report

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

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

A handwritten signature in dark ink, appearing to read 'DMoylan', with a long horizontal flourish extending to the right.

David Moylan
Director

28 February 2019



Auditor's Independence Declaration

As lead auditor for the review of Vault Intelligence Limited for the half-year ended 31 December 2018, 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 review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink that reads 'Brad Peake'.

Brad Peake
Partner
PricewaterhouseCoopers

Melbourne
28 February 2019

Vault Intelligence Limited

ABN 15 145 040 857

Interim financial report - 31 December 2018

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

The financial statements are presented in the Australian dollar (\$).

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 interim financial statements were authorised for issue by the Directors on 28 February 2019. The Directors have the power to amend and reissue the financial statements.

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

Consolidated statement of comprehensive income
for the half year ended 31 December 2018

	Consolidated entity	
	31 December	31 December
	2018	2017
Notes	\$	\$
Software revenue	1,516,892	1,128,207
Other revenue	139,942	267,517
Interest received	19,204	9,266
Total revenue and income	1,676,038	1,404,990
Marketing and advertising	(197,141)	(122,406)
Occupancy expenses	(183,256)	(160,748)
Administrative expenses	(391,277)	(291,064)
Employee benefits expense	(2,356,226)	(2,027,409)
Depreciation and amortisation	(349,852)	(190,666)
Interest expense	(15,947)	(17,116)
Bad debts expense	-	(1,100)
Share based payments	(58,241)	89,926
Web hosting expense	(124,028)	(109,849)
Foreign exchange gain/(loss)	59,410	(111,600)
Travel expenses	(158,562)	(181,744)
Insurance expenses	(30,852)	(10,588)
Other	(179,532)	(141,093)
Loss before income tax	(2,309,466)	(1,870,467)
Income tax expense	-	-
Loss for the half year	(2,309,466)	(1,870,467)
Other Comprehensive income/(loss) for the year		
<i>Items that may be reclassified to profit and loss</i>		
Foreign currency translation reserve differences	(110,444)	75,817
	(110,444)	75,817
Total comprehensive loss for the half year	(2,419,910)	(1,794,650)
Loss attributable to:		
Owners of Vault Intelligence Limited	(2,309,466)	(1,870,467)
	Cents	Cents
Loss per share for loss attributable to the ordinary equity holders of the Company:		
Basic loss per share	(2.402)	(0.253)
Diluted loss per share	(2.402)	(0.253)

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

Consolidated balance sheet
as at 31 December 2018

	Consolidated entity	
	31 December	30 June
	2018	2018
Notes	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	4,398,060	2,168,782
Trade and other receivables	521,168	604,030
Current tax receivables	5,796	5,569
Total current assets	4,925,024	2,778,381
Non-current assets		
Property, plant and equipment	232,076	206,177
Intangible assets	4(a) 2,328,395	1,894,183
Other non-current assets	35,671	35,671
Term and security deposits	454,003	437,824
Total non-current assets	3,050,145	2,573,855
Total assets	7,975,169	5,352,236
LIABILITIES		
Current liabilities		
Trade and other payables	483,931	414,194
Borrowings	13,515	24,961
Bank overdraft	199,645	35,661
Employee benefit obligations	207,624	189,311
Deferred revenue	1,154,403	1,192,347
Total current liabilities	2,059,118	1,856,474
Non-current liabilities		
Borrowings	91,088	94,194
Total non-current liabilities	91,088	94,194
Total liabilities	2,150,206	1,950,668
Net assets	5,824,963	3,401,568
EQUITY		
Share capital	3(a) 22,686,132	17,901,068
Other reserves	3(b) 637,840	690,043
Retained earnings	(17,499,009)	(15,189,543)
Total equity	5,824,963	3,401,568

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

Consolidated statement of changes in equity

for the half year ended 31 December 2018

Consolidated entity	Notes	Attributable to owners of Vault Intelligence Limited				Total equity \$
		Share capital \$	Option Reserve \$	Accumulated losses \$	Foreign currency translation reserve \$	
Balance at 1 July 2017		13,678,022	883,998	(12,465,963)	(189,605)	1,906,452
Loss for the year half year		-	-	(1,870,467)	-	(1,870,467)
Other comprehensive (gain) / loss		-	-	-	75,817	75,817
Total comprehensive income for the period		-	-	(1,870,467)	75,817	(1,794,650)
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs and tax	3(a)	4,228,002	-	-	-	4,228,002
Employee share schemes - value of employee services	3(b)	-	12,720	-	-	12,720
Employee share schemes - writeback of expenses recognised on options that failed to vest		-	(102,646)	-	-	(102,646)
		4,228,002	(89,926)	-	-	4,138,076
Balance at 31 December 2017		17,906,024	794,072	(14,336,430)	(113,788)	4,249,878
Balance at 1 July 2018		17,901,068	815,982	(15,189,543)	(125,939)	3,401,568
Loss for the year half year		-	-	(2,309,466)	-	(2,309,466)
Other comprehensive (gain) / loss		-	-	-	(110,444)	(110,444)
Total comprehensive income for the period		-	-	(2,309,466)	(110,444)	(2,419,910)
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs and tax	3(a)	4,785,064	-	-	-	4,785,064
Employee share schemes - value of employee services	3(b)	-	58,241	-	-	58,241
		4,785,064	58,241	-	-	4,843,305
Balance at 31 December 2018		22,686,132	874,223	(17,499,009)	(236,383)	5,824,963

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

Consolidated statement of cash flows

for the half-year ended 31 December 2018

	Consolidated entity	
	31 December	31 December
	2018	2017
Notes	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	2,048,568	1,798,032
Payments to suppliers and employees (inclusive of goods and services tax)	(4,485,336)	(3,407,397)
Interest received	19,425	9,266
Interest paid	(15,947)	(2)
Net cash (outflow) from operating activities	(2,433,290)	(1,600,101)
Cash flows from investing activities		
Payments for property, plant and equipment	(61,097)	(3,802)
Payments for term and security deposits	-	3,661
Purchase of intangible assets	(146,789)	(200,992)
Net cash (outflow) from investing activities	(207,886)	(201,133)
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities	3(a) 5,008,750	4,499,982
Finance lease payments	(18,587)	-
Capital raising costs	(246,052)	(287,730)
Net cash inflow from financing activities	4,744,111	4,212,252
Net increase in cash and cash equivalents		
	2,102,935	2,411,018
Cash and cash equivalents at the beginning of the financial year	2,133,121	1,270,293
Effects of exchange rate changes on cash and cash equivalents	(37,641)	(29,566)
Cash and cash equivalents at end of period	4,198,415	3,651,745
Cash and cash equivalents at end of the half year		
Comprised of:		
Cash and cash equivalents	4,398,060	3,659,724
Bank overdraft	(199,645)	(7,979)
Total	4,198,415	3,651,745

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

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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 above. These policies have been consistently applied to all the periods presented, unless otherwise stated. The financial statements are for the Group consisting of Vault Intelligence Limited and its subsidiaries.

(a) Basis of preparation

The condensed consolidated interim financial report for the half-year reporting period ended 31 December 2018 has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB134: Interim Financial Reporting.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2018 and any public announcements made by Vault Intelligence Limited and its controlled entities during the half-year in accordance with the continuous disclosure requirements arising under the *Corporations Act 2001*.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

(i) *Going Concern*

For the half-year ended 31 December 2018, the Group has incurred losses of \$2.309 million (2017: \$1.870 million) and incurred net cash outflows from operating activities of \$2.433 million (2017: \$1.600 million).

The Group expects increased revenues, primarily from the sale of newly developed products as well as expanding into new markets. However, given the complexity and requirements of the EHS software market coupled with the early stages of Vault's value proposition in Australia and China, there is judgement and estimation in the timing and quantum of revenue and cash flow forecasts.

The Directors have determined that there are reasonable grounds to believe that the use of the going concern basis is appropriate as there is an expectation that:

- The Group has the capacity, if necessary, to reduce its operating cost structure in order to minimise its working capital requirements; and
- The Group's cash balance net of bank overdraft facilities as at 31 December 2018 (\$4.198 million) is adequate to enable the Group to meet its committed operational expenditure beyond 28 February 2020.

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

The accounting policies and methods of computation adopted in the preparation of the consolidated half-year financial statements are consistent with those adopted and disclosed in the company's annual financial statements for the year ended 30 June 2018 and the corresponding interim reporting period, except for the adoption of AASB 9 Financial Instruments on 1 July 2018.

The Group early adopted AASB 15 from 1 July 2017. The impact of the adoption of AASB 9 and the new accounting policies are disclosed in Note 2 below.

Summary of significant accounting policies

(a) Basis of preparation (continued)

(iii) New standards and interpretations not yet adopted

Title of standard	AASB 16 Leases
Nature of change	<p>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.</p> <p>The accounting for lessors will not significantly change.</p>
Impact	<p>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 \$414,150, see note 7. 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.</p> <p>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.</p>
Mandatory application date/ Date of adoption by Group	<p>Mandatory for financial periods commencing on or after 1 July 2019. At this stage, the Group does not intend to adopt the standard before its effective date.</p>

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 periods and on foreseeable future transactions.

2 Changes in accounting policies

(i) Impact on the financial statements

The Group has assessed the financial impact caused by adoption of the new accounting standard and concluded that restatement of prior comparatives was not necessary.

(ii) AASB 9 Financial Instruments – Changes to Accounting Policies

AASB 9 Financial Instruments replaces the prior standard AASB139 and combines 3 aspects of reporting as it addresses recognition and measurement, impairment, and hedge accounting for financial assets and financial liabilities. The Group has performed a detailed assessment of all three aspects of the new standard based on information currently available.

All financial assets that are within the scope of AASB 9 are required to be measured at either amortised cost or fair value, while financial liabilities measured at fair value through profit and loss will require consideration as to the portion of change in fair value that is attributable to changes in the credit risk of that liability. The Group currently measures financial assets and financial liabilities at fair value through profit and loss, or at amortised cost and there is no change in measurement from prior period.

AASB 9 introduces a requirement to consider expected credit losses and recognise potential losses through a provision for impairment, rather than the current practice of recognition only upon a loss occurring. The Group has considered this obligation, assessed prior period credit losses and determined that the group does not consider a provision for impairment necessary at present. This is on the basis that the Group invoices subscribers to its service prior to commencement of the service.

The potential for loss will require consideration on an ongoing basis, particularly if the Group's subscriber invoicing arrangements change in future.

Changes in accounting policies

(ii) AASB 9 Financial Instruments – Changes to Accounting Policies (continued)

The requirements for hedge accounting under AASB 9 retain similar accounting treatments to those currently available under AASB 139. The new standard introduces greater flexibility to the types of transactions eligible for hedge accounting while the previous requirement for hedge effectiveness testing has been replaced with the principle of an 'economic relationship' and the requirement for retrospective assessment of hedge effectiveness has been removed.

The Group does not currently have any hedging arrangements and therefore the introduction of AASB 9 does not have any impact on the financial statements in this regard.

3 Equity

(a) Share capital

	31 December 2018 \$	31 December 2018 Shares	30 June 2018 \$	30 June 2018 Shares
Ordinary shares				
Opening balance	17,901,068	862,152,727	13,678,022	695,486,060
Share Issue	5,000,000	166,666,667	-	-
Costs of issue	(223,686)	-	(276,936)	-
Exercise of Options	8,750	350,000	-	-
Public offer share issue	-	-	4,499,982	166,666,667
1:10 Share Consolidation	-	(926,252,370)	-	-
	22,686,132	102,917,024	17,901,068	862,152,727
Total share capital and share premium	22,686,132	102,917,024	17,901,068	862,152,727

The Group announced in September 2018 that it had received firm commitments to raise additional capital from institutional and sophisticated investors to subscribe for 166,666,667 shares at \$0.03 per share. This placement was undertaken over two tranches to comply with ASX listing rules and was completed in October 2018.

The Group received shareholder approval at its November 2018 Annual General Meeting to consolidate the share capital of the company on a 1:10 basis. The consolidation was completed in late November 2018.

(b) Other reserves

(i) Nature and purpose of reserves

Option Reserve

The option reserve is used to recognise:

- the grant date fair value of options issued to employees but not exercised
- 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 are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

Equity

(b) Other reserves (continued)

(i) Nature and purpose of reserves (continued)

Foreign currency translation (continued)

	Consolidated entity	
	31 December	30 June
	2018	2018
	\$	\$
Foreign currency translation reserve	(236,383)	(125,939)
Option reserve	874,223	815,982
	637,840	690,043

(ii) Option Reserve

The option reserve records items recognised as expenses over the vesting period on valuation of employee share options.

	31 December	31 December
	2018	2018
	\$	No.
Movement in option reserve		
Opening Balance - 30 June 2018	815,982	61,800,000
Broker Options (i)	-	(350,000)
Director Options	5,331	-
Director Options	4,615	-
Director Options (ii)	48,295	25,000,000
Option consolidation (iii)	-	(77,805,000)
Employee Options (iv)	-	1,000,000
	874,223	9,645,000

i) 350,000 broker options were exercised on 12 October 2018 at \$0.025 per option. This occurred prior to the share consolidation.

ii) 25,000,000 Director options were issued on 23 November 2018 pursuant to shareholder approval received at the Group's 2018 AGM in November 2018. These options were subject to the 1:10 share consolidation. The terms of the options issued are shown below, adjusted for the share consolidation which occurred after the issue.

Recipient	Quantity	Exercise Price	Expiry	Vesting Conditions
Evonne Collier	200,000	\$0.50	23 Nov 2021	\$4m annual recurring revenue
Evonne Collier	200,000	\$0.60	23 Nov 2021	\$5m annual recurring revenue
David Moylan	500,000	\$0.50	23 Nov 2021	\$8m annual recurring revenue
David Moylan	500,000	\$0.60	23 Nov 2021	\$12m annual recurring revenue
Ross Jenkins	200,000	\$0.30	23 Nov 2021	\$4m annual recurring revenue
Ross Jenkins	400,000	\$0.30	23 Nov 2021	\$5m annual recurring revenue
Ross Jenkins	500,000	\$0.30	23 Nov 2021	Vested immediately

iii) Vault conducted a 1:10 share consolidation in November 2018. The reduction of options in these parcels are as a result of the consolidation.

iv) Employee options issued on 31 December 2018 pursuant to the Employee Incentive Scheme were issued in 2 tranches, both with a 31 August 2020 expiry as follows:

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

Equity

(b) Other reserves (continued)

(iii) Foreign Currency Translation Reserve

	Consolidated entity	
	31 December 2018 \$	30 June 2018 \$
Opening balance	(125,939)	(189,605)
Movements on translation of foreign subsidiary operations during and at period end	(110,444)	63,666
	(236,383)	(125,939)

4 Non-financial assets and liabilities

(a) Intangible assets

Consolidated entity Non-Current assets	Vault Enterprise Platform \$	Vault Enterprise Upgrades \$	Vault Apps \$	Vault Solo \$	Other \$	Total \$
At 1 July 2017						
Cost	2,120,912	83,300	-	-	41,760	2,245,972
Accumulated amortisation and impairment	(1,036,996)	-	-	-	(10,660)	(1,047,656)
Net book amount	1,083,916	83,300	-	-	31,100	1,198,316
Year ended 30 June 2018						
Opening net book amount	1,083,916	83,300	-	-	31,100	1,198,316
Additions - purchases	-	406,051	-	36,797	9,628	452,476
Additions - internal development	-	255,574	164,201	195,000	-	614,775
Exchange differences	-	-	-	-	(70)	(70)
Amortisation charge	(306,213)	(57,100)	-	-	-	(363,313)
Depreciation charge	-	-	-	-	(8,001)	(8,001)
Closing net book amount	777,703	687,825	164,201	231,797	32,657	1,894,183
At 30 June 2018						
Cost	2,120,912	744,925	164,201	231,797	45,570	3,307,405
Accumulated amortisation and impairment	(1,343,209)	(57,100)	-	-	(12,913)	(1,413,222)
Net book amount	777,703	687,825	164,201	231,797	32,657	1,894,183

Non-financial assets and liabilities

(a) Intangible assets (continued)

Half-year 31

December 2018

Opening net book amount	777,703	687,825	164,201	231,797	32,657	1,894,183
Additions - purchases ¹	-	124,348	-	28,809	2,123	155,280
Additions - internal development	-	136,623	123,617	323,996	-	584,236
Exchange differences	-	8,328	13	2,760	111	11,212
Amortisation charge	(154,365)	(85,733)	(32,993)	(39,020)	-	(312,111)
Depreciation charge	-	-	-	-	(4,405)	(4,405)
Closing net book amount	623,338	871,391	254,838	548,342	30,486	2,328,395

At 31 December 2018

Cost	2,120,912	1,014,893	287,856	587,754	47,917	4,059,332
Accumulated amortisation and impairment	(1,497,574)	(143,502)	(33,018)	(39,412)	(17,431)	(1,730,937)
Net book amount	623,338	871,391	254,838	548,342	30,486	2,328,395

¹ Represents the additions to the Vault products from outsourced product development during the half-year.

5 Segment information

(a) Identification of reportable segments

The Group operates in one reporting segment being the provision of cloud-based and mobile EHS software within 3 jurisdictions, being Australia, New Zealand and China. During 2018 a new wholly owned subsidiary entity Vault Software Technology (Shanghai) Limited was established to provide services and software into the Chinese market. However no revenue was derived from this Jurisdiction in the half year ended 31 December 2018. Software revenue and other operating income for the Group in each jurisdiction was as follows:

	Australia \$	New Zealand \$	Total \$
31 December 2018 operating segments			
Software revenue ¹	452,909	1,063,983	1,516,892
Other revenue ²	6,808	133,134	139,942
	<u>459,717</u>	<u>1,197,117</u>	<u>1,656,834</u>
	Australia \$	New Zealand \$	Total \$
31 December 2017 operating segments			
Software revenue	327,122	801,085	1,128,207
Other Revenue	170,420	97,097	267,517
	<u>497,542</u>	<u>898,182</u>	<u>1,395,724</u>

1 - All software revenue is recognised over the life of the subscribers service period.

2- Other revenue is recognised at a point in time.

6 Related party transactions

(a) Related Party Option Holdings

The number of options held in Vault Intelligence Limited held by each key management person of the Group during the period is as follows:

	Balance at start of the year	Granted as compensation	Exercised	Other changes ¹	Balance at end of the half-year
Ms Evonne Collier	-	4,000,000	-	(3,600,000)	400,000
Mr David Moylan	10,000,000	10,000,000	-	(18,000,000)	2,000,000
Mr Robert Kirtlan	8,000,000	-	-	(7,200,000)	800,000
Mr Ross Jenkins	-	11,000,000	-	(9,900,000)	1,100,000
Mr David Rose	2,000,000	-	-	(1,800,000)	200,000
	<u>20,000,000</u>	<u>25,000,000</u>	<u>-</u>	<u>(40,500,000)</u>	<u>4,500,000</u>

¹ Reductions as a result of 1:10 share consolidation undertaken in November 2018.

(b) Transactions with other related parties

At 31 December 2018 the following balances were owing to associated companies or companies associated with directors as follows:

- R4 Investments Pty Ltd, a company related to Mr David Rose - \$6,364 for expense reimbursements

At 30 June 2018 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 - \$12,000 for directors fees and additional executive services;
- R4 Investments Pty Ltd, a company related to Mr David Rose - \$3,000 for directors fees.

7 Commitments

(a) Operating Lease Commitments

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

	Consolidated entity	
	31 December 2018	30 June 2018
	\$	\$
Commitments for minimum lease payments in relation to operating leases are payable as follows:		
Within one year	217,297	260,396
Later than one year but not later than five years	196,853	277,469
	<u>414,150</u>	<u>537,865</u>

8 Contingent liabilities and contingent assets

The Group had no contingent liabilities or contingent assets as at 31 December 2018 (30 June 2018: Nil)

9 Events occurring after the reporting period

There have been no other material items, transactions or events subsequent to 31 December 2018 which relate to conditions existing at that date and which require comment or adjustment to the figures dealt with in this report.

10 Interests in other entities

(a) Material subsidiaries

The Group's principal subsidiaries at 31 December 2018 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

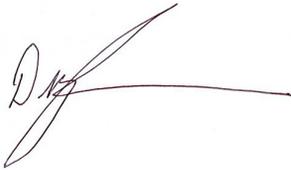
Name of entity	Notes	Place of business/ country of incorporation	Ownership interest held by the group	
			December 2018 %	June 2018 %
Vault Intelligence Limited		Australia	-	-
Subsidiaries of legal parent entity:				
NGB Industries Pty Ltd		Australia	100	100
Vault Software Technology (Shanghai) Limited		China	100	100
Ora Banda Gold Pty Ltd		Australia	100	100
Subsidiaries of NGB Industries Pty Ltd				
Vault IQ AU Pty Ltd		Australia	100	100
Vault IQ NZ Ltd		New Zealand	100	100
Platinum Safety Pty Ltd		Australia	100	100

Directors' declaration

In the Directors' opinion:

- (a) the financial statements and notes set out on the preceding pages 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 31 December 2018 and of its performance for the half-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.

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

A handwritten signature in black ink, appearing to read 'DMoylan', with a long horizontal flourish extending to the right.

David Moylan
Director

28 February 2019



Independent auditor's review report to the members of Vault Intelligence Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Vault Intelligence Limited (the Company), which comprises the consolidated balance sheet as at 31 December 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected other explanatory notes and the directors' declaration for Vault Intelligence Limited. The Group comprises the Company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Vault Intelligence Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Vault Intelligence Limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Brad Peake

Brad Peake
Partner

Melbourne
28 February 2019