



VPCL Limited (formerly known as VELPIC Limited)

ABN 65 149 197 651

Annual Report - 30 June 2019

VPCL Limited (formerly known as VELPIC Limited)

Corporate directory

30 June 2019

Directors	Leanne Graham Justin Klintberg Christopher Mews (appointed 13 July 2018)
Company secretary	Catherine Anderson (resigned 31 May 2019) Christopher Mews (appointed 31 May 2019)
Registered office	Unit 36/38 Manchester Lane Melbourne VIC 3000
Principal place of business	Unit 36/38 Manchester Lane Melbourne VIC 3000
Share register	Link Market Services Central Park Level 4 152 St Georges Terrace Perth WA 6000 Telephone: 08 6160 4455
Auditor	BDO Collins Square Tower Four Level 18, 727 Collins Street Melbourne Victoria 3008
Bankers	Westpac Banking Corporation 116 James Street Perth WA 6000
Stock exchange listing	Securities of VPCL Limited are listed on the Australian Securities Exchange. ASX Code: VPC
Website:	www.vpcllimited.com.au/

VPCL Limited (formerly known as VELPIC Limited)

Directors' report

30 June 2019

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of VPCL Limited (referred to hereafter as the 'company' or 'parent entity' or 'VPC') and the entities it controlled at the end of, or during, the year ended 30 June 2019.

Directors

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

Leanne Graham
Justin Klintberg
Christopher Mews – Appointed 13 July 2018
Russell Francis – Resigned 13 July 2018

Principal activities

The Group's principal activities have been the provision of a cloud-based video e-learning software platform (Learning Management System or "LMS") and a brand technology agency (Consulting Services). The Company announced the sale of its main undertaking (LMS) on 13 July 2018. The Board will continue to focus on divesting its investment in Lumi Financial Holdings Limited while actively seeking new investment opportunities.

Dividends

No dividends have been declared or paid for the year ended 30 June 2019. (2018: NIL):

Review of operations

The profit for the consolidated entity after providing for income tax amounted to \$2,909,886 (30 June 2018: loss of \$8,096,556).

The consolidated entity continued to scale down operations post the sale of the LMS and brand technology agency in order to preserve cash. VPCL Ltd has moved its office from Perth to Melbourne in order to save on lease and administrative costs. It is expected that monthly overheads will reduce by circa \$27,500 per month.

Significant changes in the state of affairs

On 21 September 2018 the consolidated entity sold the Learning Management System business, Velpic, to Damstra Technologies Pty Ltd for the total consideration of \$3,800,000. The sale resulted in a gain in sale before income tax of \$3,401,029. The original terms of sale included an up front payment of \$1,000,000 with the balance to be paid over 12 quarterly instalment of \$233,333. These terms have since been modified by mutual agreement, whereby the consolidated entity has agreed to early settlement of the deferred consideration in the amount of \$2,050,000 to be paid on or before 17th October, 2019.

On 20 December 2018 the consolidated entity sold the brand technology agency, Dash Digital, to Choose Digital Pty Ltd for consideration of \$50,000. The sale resulted in a gain on sale before income tax of \$45,455.

As announced in December 2018, VPCL Ltd had made a strategic investment in Australian financial technology company, Lumi Financial Holdings Ltd. As reported in the media Lumi has recently completed a fully subscribed capital raising of \$8m at a premium of 80% to VPCs initial investment. VPC did not participate in this capital raising. Lumi has made the decision to not list on the ASX in the short term and as such the Board will consider its options in respect to this investment which includes the possible sale of its shares.

In December 2018, VPCL Ltd received payment of approximately \$1.245 million (US\$895,900) from the sale of its interest in NowForce Ltd with a further approximate \$219,000 (US\$158,000) currently held in escrow expected to be received in May 2020. Further deferred payments up to US\$660,000 may be received by the Company on or around March 2021 subject to the achievement of certain metrics by NowForce.

VPCL Limited
Directors' report
30 June 2019

In June 2019, the consolidated entity entered into a short-term loan agreement with innovative building products company Pro9 Global Ltd (Pro9). Pro9 is a precision manufacturer of prefabricated wall systems that makes house construction faster, more affordable and more energy efficient.

Under the terms of the loan agreement, VPCL agreed to lend up to \$670,000 to Pro9 at an interest rate of 8%. Monthly drawdowns are capped at \$170,000 and the loan is repayable by 31 December 2019. The loan is secured by a registered charge over all current & future assets of Pro9

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

Matters subsequent to the end of the financial year

On 25 July 2019, VPCL Ltd and Damstra Technologies agreed to a once off deferred consideration amount of \$2,050,000. The terms of the agreement require Damstra Technologies to pay the deferred consideration amount by 15 October 2019. If the payment is not made in full by 15 October 2019 then Damstra Technologies is required to pay VPCL Ltd all quarterly payments due, in line with the original terms of sale, plus an interest component of \$100,000.

On 30 September 2019, VPCL Ltd and Damstra Technologies signed a letter of undertaking, granting Damstra Technologies a 2 day extension of time to pay the deferred consideration amount without penalty, wherein Damstra Technologies confirmed their irrevocable commitment to make the payment on or before 17th October 2019.

Apart from the matters as discussed above, no other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on directors

Name:	Leanne Graham
Title:	Executive Chairperson
Experience and expertise:	With over 30 years in the software sector, Leanne has assisted technology companies with her broad experience and SaaS expertise. In 2018, Ms. Graham was awarded the New Zealand Order of Merit for her services to the software industry. Leanne formerly served as the former New Zealand General Manager of ASX listed company, Xero.
Other current directorships:	Leanne holds a number of board positions and advisory positions in a number of international private companies and is also Non-Executive Director of ASX listed companies Bid Energy, Apps Village and ArchTis.
Name:	Justin Klintberg
Title:	Non-Executive Director
Qualifications:	Bachelor of Business from Deakin University majoring in accounting and finance, as well as a Graduate Diploma of Applied Finance and Investment.
Experience and expertise:	Mr Klintberg has over 20 years of investment and capital markets experience and is currently Managing Director of Corporate Advisory firm, Merchant Advisory. Previously, he was founder and CIO of Kima Capital, a Pan Asian hedge fund (2009-2016) based in Hong Kong. Earlier in his career, he was a portfolio manager at a leading European-based manager, Marble Bar Asset Management, and before that as an adviser in Australia focusing on equity and equity derivatives.
Other current directorships:	Pro9 Global Limited (unlisted).
Former directorships (last 3 years):	E2 Metals Ltd (ASX: E2M)

VPCL Limited (formerly known as VELPIC Limited)**Directors' report****30 June 2019**

Name: Christopher Mews
 Title: Non-Executive Director (appointed 13 July 2018)
 Qualifications: CPA, Bachelor of Business degree (Accounting) and is a Chartered Company Secretary
 Experience and expertise: Mr Mews has been in financial services for over 20 years and is experienced in the financial operation, governance and compliance of Managed Investment Schemes, ASX listed companies and unlisted companies. Mr Mews has held senior positions in finance, corporate secretarial and compliance. In these roles he has been a member of senior management and participated in the due diligence and acquisition of Managed Investment Schemes and participated in various capital raisings for Managed Investment Schemes, ASX listed companies and unlisted companies.
 Other current directorships: None
 Former directorships (last 3 years): 1 Page Limited

Name: Russell Francis
 Title: Chief Executive Officer (resigned 13 July 2018)
 Experience and expertise: Mr Francis is an entrepreneur and Internet Pioneer with more than 20 years' international experience running successful business that build enterprise scale applications, web apps and mobile apps for the likes of Citibank, ABN AMRO, P&O, Lloyds TSB, Dixon Stores Group, ASDA, Bankwest, Western Power, Goldman Sachs and JB Were. Mr Francis built his first website in 1995 and by 1998, he successfully negotiated the sale of his London based software development firm to a Silicon Valley based IT consulting firm and then led his new firm into the Internet revolution building some of the biggest websites and online applications in Europe. He founded Reignite in Perth in 2005 and in March 2012, Mr Francis, Mr Connell and Mr Moora agreed to set up a joint venture to develop Velpic, which led to the merger of Reignite, Dash Digital and Chameleon Creative in July 2013.
 Other current directorships: None
 Former directorships (last 3 years): None

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

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

Company secretary

Christopher Mews has held the role of Company Secretary since 31 May 2019.

Catherine Anderson held the role of Company Secretary previously, resigning on 31 May 2019.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2019, and the number of meetings attended by each director were:

	Full board		Nomination and Remuneration Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Leanne Graham	11	11	-	-	2	2
Justin Klintberg	11	11	-	-	2	2
Christopher Mews	11	11	-	-	2	2
Russell Francis	-	-	-	-	-	-

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

VPCL Limited (formerly known as VELPIC Limited)

Directors' report

30 June 2019

Remuneration report (audited)

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

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

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

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Board of Directors is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Board of Directors. The Board of Directors may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market.

Executive remuneration

The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

Fixed remuneration is reviewed annually by the Board of Directors based on the overall performance of the consolidated entity, comparable market remunerations and, where appropriate, external advice on policies and practices.

On the resignation of Directors, the relevant party retains any vested options issued as remuneration.

The Board may exercise discretion in relation to approving incentives such as options. The policy is designed to reward KMP for performance that results in long-term growth in shareholder value.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following directors of VPCL Limited (formerly known as VELPIC Limited):

- Leanne Graham - Executive Chairman
- Justin Klintberg – Non-Executive Director
- Christopher Mews - Non-Executive Director (appointed 13 July 2018)

And the following persons:

- Russell Francis - Chief Executive Officer (resigned 13 July 2018)
- Rhonda Robati – Chief Revenue Officer (resigned 17 August 2018)

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled shares	Total
	\$	\$	\$	\$	\$	\$	\$
2019							
<i>Non-Executive Directors:</i>							
Christopher Mews (i)	42,000	-	-	-	-	-	42,000
Justin Klintberg	42,000	-	-	-	-	-	42,000
<i>Executive Directors:</i>							
Leanne Graham	42,000	-	-	-	-	-	42,000
<i>Other Key Management Personnel:</i>							
Russell Francis (ii)	57,739	-	-	2,283	46,665	-	106,687
Rhonda Robati (iii)	105,400	-	-	7,731	-	-	113,131
	<u>289,139</u>	<u>-</u>	<u>-</u>	<u>10,014</u>	<u>46,665</u>	<u>-</u>	<u>345,818</u>

(i) Represents remuneration from 13 July 2018 to 30 June 2019

(ii) Represents remuneration from 1 July 2018 to 13 July 2018, including termination payments

(iii) Represents remuneration from 1 July 2018 to 17 August 2018, including termination payments

VPCL Limited (formerly known as VELPIC Limited)
Directors' report
30 June 2019

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled shares	Total
2018	\$	\$	\$	\$	\$	\$	\$
Leanne Graham	42,000	-	-	-	-	-	42,000
Justin Klintberg (i)	10,500	-	-	-	-	-	10,500
Russell Francis (iii)	209,384	-	-	30,999	3,333	375,000	618,716
Harry Karelis (ii)	31,500	-	-	-	-	-	31,500
Daniel Rohr (ii) (iv)	29,504	-	-	2,803	-	41,667	73,974
Rhonda Robati	315,385	-	-	28,500	-	3,035	346,920
	638,273	-	-	62,302	3,333	419,702	1,123,610

- (i) Mr Klintberg was appointed as a Non-executive Director on 3 April 2018
(ii) Mr Rohr and Mr Karelis resigned as Non-executive Directors on 3 April 2018
(iii) Mr Francis was issued 15 million shares for a performance right granted in 2015 and recorded as deferred compensation reserve. Performance achieved and recognised by the Board in February 2018. At grant date, the shares were valued at \$375,000.
(iv) Mr Rohr was issued 1,666,667 shares for a performance right granted in 2015 and recorded as deferred compensation reserve. Performance achieved and recognised by the Board in February 2018. At grant date, the shares were valued at \$41,667.

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

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2019	2018	2019	2018	2019	2018
Leanne Graham	100%	100%	-	-	-	-
Justin Klintberg	100%	100%	-	-	-	-
Christopher Mews	100%	-	-	-	-	-
Russell Francis	100%	100%	-	-	-	-
Harry Karelis	100%	100%	-	-	-	-
Daniel Rohr	100%	100%	-	-	-	-
Rhonda Robati	100%	100%	-	-	-	-

Letters of Appointment

Upon appointment to the Board, all Directors enter into an agreement with the Group in the form of a letter of appointment. The letter summarises the policies and terms, including compensation, relevant to the offices of Directors. The key terms of the Agreements with KMP are as follows:

Name:	Leanne Graham
Title:	Executive Director
Agreement commenced:	1 July 2019
Term of agreement:	1 years
Details:	Fees for the year ending 30 June 2020 of \$42,000, no superannuation, to be reviewed annually by the Board of Directors. No notice stipulated to terminate the contract by either party, subject to re-election under ASX rules.
Name:	Justin Klintberg
Title:	Non-Executive Director
Agreement commenced:	1 July 2019
Term of agreement:	1 years
Details:	Fees for the year ending 30 June 2020 of \$42,000, no superannuation, to be reviewed annually by the Board of Directors. No notice stipulated to terminate the contract by either party, subject to re-election under ASX rules.

VPCL Limited (formerly known as VELPIC Limited)**Directors' report****30 June 2019**

Name: Christopher Mews
 Title: Company Secretary Non-Executive Director
 Agreement commenced: 1 July 2019
 Term of agreement: 1 years
 Details: Fees for the year ending 30 June 2020 of \$42,000, no superannuation, to be reviewed annually by the Board of Directors. No notice stipulated to terminate the contract by either party, subject to re-election under ASX rules.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation*Issue of shares*

There were no share-based compensation payments to key management personnel during the current financial year.

Additional information

The earnings of the consolidated entity for the five years to 30 June 2019 are summarised below:

	2019 \$	2018 \$	2017 \$	2016 \$	2015 \$
Sales revenue	321,669	1,989,745	1,781,257	1,399,559	-
EBITDA (i)	2,909,886	(3,139,302)	(3,703,764)	(3,431,722)	(792,984)
EBIT (i)	2,912,492	(8,096,556)	(3,727,375)	(4,648,765)	(12,060,287)
Profit after income tax	2,912,492	(8,096,556)	(3,727,375)	(4,655,335)	(12,060,287)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2019	2018	2017	2016	2015
Share price at financial year end (cents per share) (ii)	0.004	0.004	0.012	0.032	0.031
Total dividends declared (cents per share)	0.00	0.00	0.00	0.00	0.00
Basic earnings per share (cents per share)	0.26	(0.91)	(0.55)	(1.19)	(7.20)

(i) Includes earnings from both continuing and discontinued operations

(ii) The consolidated entity's shares are currently suspended from trading. Price as of 30 June 2019 represents last traded price.

Additional disclosures relating to key management personnel*Shareholding*

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
Leanne Graham	666,667	-	-	-	666,667
Justin Klintberg	-	-	-	-	-
Christopher Mews	625,000	-	-	-	625,000
Russell Francis(i)	58,566,668	-	-	-	58,566,668
Rhonda Robati (i)	-	-	-	-	-
	<u>59,858,335</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>59,858,335</u>

(i) Reflects holding as of date of resignation

VPCL Limited (formerly known as VELPIC Limited)**Directors' report****30 June 2019***Option holding*

The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
<i>Options over ordinary shares</i>					
Leanne Graham	7,333,334	-	-	-	7,333,334
Justin Klintberg	1,555,601	-	-	-	1,555,601
Christopher Mews	1,666,667	-	-	-	1,666,667
Russell Francis (i)	12,161,906	-	-	-	12,161,906
Rhonda Robati (i)	1,000,000	-	-	(500,000)	500,000
	<u>23,717,508</u>	<u>-</u>	<u>-</u>	<u>(500,000)</u>	<u>23,217,508</u>

(i) Reflects holding as of date of resignation

Other Transactions with key management personnel and their related parties

For the year ended 30 June 2019, the other transactions with key management personnel included:

- \$120,000 costs charged by Cloud Rainmakers Limited for Leanne Graham's professional fees as an executive officer to VPCL Limited, of which Leanne Graham is a director.
- \$110,000 costs charged by Merchant Corporate Advisory Pty Ltd for Justin Klintberg's professional fees as an advisor to VPCL Limited, of which Justin Klintberg is a director.
- \$1,068 costs charged by Draupner Investments Pty Ltd for Christopher Mews' Company Secretary fees.
- \$170,000 loaned to Pro9 Global Ltd, under a Loan Agreement dated 19th June 2019, of which Justin Klintberg is a director.

For the year ended 30 June 2018, the other transactions with key management personnel included:

- \$407,812 of costs charged by Jindalee Partners Pty Ltd for corporate advice, of which Harry Karelis is a director.
- \$4,508 in sales revenue billed to AusCann Group Holdings Ltd, of which Harry Karelis is a director.
- \$1,515 in sales revenue billed to Zelda Therapeutics Pty Ltd, of which Harry Karelis is a director.
- \$10,000 costs charged by Cloud Rainmakers Limited for Leanne Graham's professional fees as an executive officer to VPCL Limited, of which Leanne Graham is a director. The \$10,000 amount was accrued at 30 June 2018 and the invoice was subsequently received in August 2018.

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of VPCL Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
25 November 2016	23 December 2019	\$0.06	9,400,000
7 December 2017	30 November 2019	\$0.02	34,615,892
29 December 2017	30 November 2019	\$0.02	29,362,002
12 January 2018	30 November 2019	\$0.02	14,370,707
19 January 2018	30 November 2019	\$0.02	12,627,788
25 January 2018	30 November 2019	\$0.02	14,574,644
2 February 2018	30 November 2019	\$0.02	9,412,744
		Total	124,363,777

Shares issued on the exercise of options

No ordinary shares of VPCL Limited were issued during the year ended 30 June 2019 and up to the date of this report on the exercise of options granted.

VPCL Limited (formerly known as VELPIC Limited)

Directors' report

30 June 2019

Indemnity and insurance of officers

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

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

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

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

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services

During the year, no fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms other than fees for the financial audit.

Corporate Governance Statement

A copy of the consolidated entity's Corporate Governance plan can be found at the Company's website:
http://vpcllimited.com.au/wp-content/uploads/2019/09/VPCL_Corporate_Governance_Plan-1.pdf

Officers of the company who are former partners of BDO

There are no officers of the company who are former partners of BDO.

Auditor's independence declaration

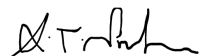
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Auditor

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

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

On behalf of the directors



Leanne Graham
Director

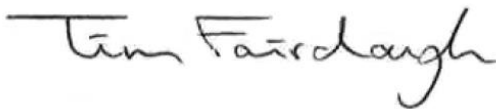
30 September 2019
Melbourne

DECLARATION OF INDEPENDENCE BY TIM FAIRCLOUGH TO THE DIRECTORS OF VPCL LTD (FORMERLY KNOWN AS VELPIC LIMITED)

As lead auditor of VPCL Ltd for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of VPCL Ltd (formerly known as VELPIC Limited) and the entities it controlled during the period.



Tim Fairclough
Partner

BDO East Coast Partnership

Melbourne, 30 September 2019

VPCL Limited (formerly known as VELPIC Limited)

Contents

30 June 2019

Statement of profit or loss and other comprehensive income	13
Statement of financial position	15
Statement of changes in equity	16
Statement of cash flows	17
Notes to the financial statements	18
Directors' declaration	47
Independent auditor's report to the members of VPCL Limited	48
Shareholder information	50

General information

The financial statements cover VPCL Limited as a consolidated entity consisting of VPCL Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is VPCL Limited's functional and presentation currency.

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

Registered office

Unit 36, 38 Manchester Lane
Melbourne VIC 3000

Principal place of business

Unit 36, 38 Manchester Lane
Melbourne VIC 3000

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 30 September 2019. The directors have the power to amend and reissue the financial statements.

VPCL Limited (formerly known as VELPIC Limited)
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2019

		Consolidated	
	Note	2019	2018
		\$	\$
Revenue from continuing operations			
Other income	4	771,744	239,413
Foreign Exchange Gain		72,344	-
Expenses			
Production cost		-	(1,195)
Compliance cost		(47,341)	(86,888)
Directors' fees	5	(172,949)	(162,698)
Depreciation		(43)	(625)
Doubtful debts expense		-	(58,768)
Employee benefits expense	5	(180,659)	(6,132)
Marketing expense		-	(28,673)
Professional & consulting fees	5	(415,989)	(196,227)
Rent & utilities		(212,586)	-
Share-based payments		111,669	(20,100)
Travel expenses		(12,129)	(10,852)
Other expenses		(91,912)	(64,180)
Profit / (Loss) before income tax expense from continuing operations		(177,851)	(396,925)
Income tax benefit	6	-	-
Profit / (Loss) after income tax expense from continuing operations		<u>(177,851)</u>	<u>(396,925)</u>
Discontinued Operations			
Profit / (Loss) from discontinued operations	7	3,087,737	(7,699,631)
Profit / (Loss) before income tax expense from discontinued operations		3,087,737	(7,699,631)
Income tax benefit		-	-
Profit / (Loss) after income tax expense from discontinued operations		<u>3,087,737</u>	<u>(7,699,631)</u>
Profit / (Loss) after income tax expense for the year		2,909,886	(8,096,556)
Other comprehensive income		-	-
Total comprehensive profit / (loss) for the year		<u><u>2,909,886</u></u>	<u><u>(8,096,556)</u></u>

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

VPCL Limited (formerly known as VELPIC Limited)
Statement of profit or loss and other comprehensive income (cont.)
For the year ended 30 June 2019

Profit / (Loss) for the year is attributable to members of VPCL Limited		<u>2,909,886</u>	<u>(8,096,556)</u>
Total comprehensive income for the year is attributable to members of VPCL Limited		2,909,886	(8,096,556)
Basic & diluted profit/(loss) per share (cents per share) from continuing operations attributable to members of VPCL Limited	27	(0.02)	(0.04)
Basic & diluted profit/(loss) per share (cents per share) from discontinued operations attributable to members of VPCL Limited	27	0.27	(0.87)
Basic & diluted profit/(loss) per share (cents per share) for profit attributable to members of VPCL Limited	27	<u>0.25</u>	<u>(0.91)</u>

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

VPCL Limited (formerly known as VELPIC Limited)
Statement of financial position
As at 30 June 2019

		Consolidated	
	Note	2019	2018
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	8	2,204,998	1,947,980
Receivables	9	1,251,051	392,427
Other current assets	11	13,614	84,836
Total Current Assets		3,469,663	2,425,243
Non-current assets			
Receivables	9	1,309,248	
Investments	10	900,000	1,282,338
Plant and equipment	12	-	53,470
Intangible assets	13	-	23,662
Total non-current assets		2,209,248	1,359,469
Total assets		5,678,911	3,784,712
Liabilities			
Current liabilities			
Trade and other payables	14	92,803	931,853
Provisions	15	-	64,968
Total Current Liabilities		92,803	996,821
Total liabilities		92,803	996,821
Net assets		5,586,108	2,787,891
Equity			
Issued capital	16	33,216,771	33,216,771
Reserves	17	2,320,472	2,432,141
Accumulated losses		(29,951,135)	(32,861,021)
Total equity		5,586,108	2,787,891

The above statement of financial position should be read in conjunction with the accompanying notes

VPCL Limited (formerly known as VELPIC Limited)
Statement of changes in equity
For the year ended 30 June 2019

Consolidated	Issued capital \$	Share Based Payment Reserve \$	Deferred Compensation Reserve \$	Retained profits \$	Total equity \$
Balance at 1 July 2017	29,068,461	2,412,041	1,250,000	(24,764,466)	7,966,036
Profit after income tax expense for the year	-	-	-	(8,096,556)	(8,096,556)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(8,096,556)	(8,096,556)
Transactions with owners in their capacity as owners:					
Shares Issued	3,218,983	-	-	-	3,218,983
Shares Issued Transfer or reserve upon vesting of historical performance	1,250,000	-	(1,250,000)	-	-
Options Issued	-	20,100	-	-	20,100
Share Issue Costs	(320,673)	-	-	-	(320,673)
Balance at 30 June 2018	33,216,771	2,432,141	-	(32,861,022)	2,787,890

Consolidated	Issued capital \$	Share Based Payment Reserve \$	Deferred Compensation Reserve \$	Retained profits \$	Total equity \$
Balance at 1 July 2018	33,216,771	2,432,141	-	(32,861,022)	2,787,890
Profit after income tax expense for the year	-	-	-	2,909,886	2,909,886
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	-	2,909,886	2,909,886
Transactions with owners in their capacity as owners:					
Options Expired	-	(111,669)	-	-	(111,669)
Balance at 30 June 2019	33,216,771	2,320,472	-	(29,951,136)	5,586,108

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

VPCL Limited (formerly known as VELPIC Limited)
Statement of cash flows
For the year ended 30 June 2019

		Consolidated	
	Note	2019	2018
		\$	\$
Cash flows from operating activities			
Receipts from customers inclusive of GST		435,176	2,286,250
Payments to suppliers and employees		(2,471,283)	(5,441,551)
Income Tax – R&D rebate		161,597	223,720
Interest received		4,186	12,702
Cash receipts from other operating activities		78,695	-
Net cash from operating activities	8	(1,791,629)	(2,918,879)
Cash flows from investing activities			
Payment for plant & equipment		-	(410)
Proceeds from disposal of plant and equipment		-	1,163
Proceeds from sale of investments, net of cash given up		2,718,647	-
Payment for other financial assets		(670,000)	(1,282,338)
Net cash used in investing activities		2,048,647	(1,281,585)
Cash flows from financing activities			
Proceeds from issue of shares & options		-	3,218,983
Share issue transaction costs		-	(320,673)
Net cash used in financing activities		-	2,898,310
Net increase/(decrease) in cash and cash equivalents		257,019	(1,302,154)
Cash and cash equivalents at the beginning of the financial year		1,947,980	3,250,134
Cash and cash equivalents at the end of the financial year	8	2,204,998	1,947,980

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

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

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

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

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

AASB 9 Financial Instruments

The consolidated entity has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

AASB 15 Revenue from Contracts with Customers

The consolidated entity has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

The adoption of AASB 15 has had no material impact on the financial statements. The impact on the financial performance and position of the consolidated entity from the adoption of AASB 9 has been detailed below.

'The investment classifications 'Available-for-sale financial assets' are no longer used and 'Financial assets at fair value through profit and loss' was introduced. The NowForce investment was held as 'Available-for-sale' as at 30 June 2018 and has been reclassified to financial assets at fair value through profit and loss accordingly.

Basis of preparation

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

Note 1. Significant accounting policies (continued)

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

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

Going Concern

For the year ended 30 June 2019 the consolidated entity recorded net cash inflows of \$257,019, a cash balance of \$2,204,998 and a net profit of \$2,909,886, made up of a loss from continuing operations of \$177,851 and a profit from discontinued operations of 3,087,737.

The disposal of the consolidated entity's Software-as-a-Service business and Brand Technology Agency means that at present, the consolidated entity does not have a substantive project. This indicates a material uncertainty that may cast a significant doubt about the entity'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. Taking into consideration the cash position of the consolidated entity as at 30 June 2019, expected realisation of the Damstra receivable in October 2019 and ongoing operating costs, the consolidated entity does not expect any material financial impact as a result of any potential future going concern issues.

Management believe that there are sufficient funds to meet the consolidated entity's working capital requirements as at the date of this report, while management continues to review potential future business opportunities.

The financial statements have been prepared on the basis that the consolidated entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business as the directors are confident the consolidated entity will find a new project to participate in as and when required.

Should the consolidated entity not be able to continue as a going concern due to lack of operations, it may be required to release its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements and that the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 25.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of VPCL Limited ('company' or 'parent entity') as at 30 June 2019 and the results of all subsidiaries for the year then ended. VPCL Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity 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 consolidated entity. They are de-consolidated from the date that control ceases.

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

Note 1. Significant accounting policies (continued)

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

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

Foreign currency translation

The financial statements are presented in Australian dollars, which is VPCL Limited's functional and presentation currency.

Foreign currency transactions

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

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

Revenue recognition

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Digital branding and consulting revenue

Revenue from the rendering of services is recognised by reference to the service provided during the year.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

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

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Note 1. Significant accounting policies (continued)

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

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

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Discontinued operations

A discontinued operation is a component of the consolidated entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

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

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

Deferred tax assets and liabilities are always classified as non-current.

Note 1. Significant accounting policies (continued)

Cash and cash equivalents

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

Trade and other receivables

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

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

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

Non-current assets or disposal groups classified as held for sale

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

Investments and other financial assets

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

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

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Note 1. Significant accounting policies (continued)

Impairment of financial assets

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain. In all other cases, the loss allowance is recognised in profit or loss.

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

Property, plant and equipment

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

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Computer	4 years
Plant and equipment	10-20 years
Hardware and software	4 years
Furniture and fittings	10 years
Office fit out	40 years

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

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

Intangible assets

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

Trademarks

Significant costs associated with trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Note 1. Significant accounting policies (continued)

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Goodwill is not amortized. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash generating units that are expected to benefit from the synergies of combination. An impairment loss is recognised if the carrying amount of the asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit and loss. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any Goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis. An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Impairment of non-financial assets

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

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

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured.

Provisions

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

Employee benefits

Short-term employee benefits

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

Other long-term employee benefits

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

Note 1. Significant accounting policies (continued)

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

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

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

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

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

Fair value measurement

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

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

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Issued capital

Ordinary shares are classified as equity.

Note 1. Significant accounting policies (continued)

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

Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

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

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2019. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

The consolidated entity expects no impact from the implementation of AASB 16 as its only operating lease expired in August 2019 and was not renewed.

Note 2. Critical accounting judgements, estimates and assumptions

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

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Fair value measurement hierarchy

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

VPCL Limited (formerly known as VELPIC Limited)
Notes to the financial statements
30 June 2019

Note 3. Operating segments

The directors have considered the requirements of AASB 8 – Operating segments. The segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the Company's chief operating decision maker, which is the Board of Directors. In this regard, such information is provided using similar measures to those used in preparing the statement of profit or loss and other comprehensive income, statement of financial position and statement of cash flows.

For the year ended 30 June 2019, the Company had only one geographical location being Australia and operated in two business segments being a Software-as-a-Service business, a digital branding and consulting business.

During the year, both the SaaS and digital branding businesses were disposed of.

	Consolidated			
	Software-as-a-Service (Discontinued)	Consulting Services (Discontinued)	Other	Total
	\$	\$	\$	\$
30 June 2019				
Revenue				
Sales to external customers	67,796	253,873	-	321,669
Interest revenue	-	-	138,764	138,764
Other income	-	3,434	634,491	637,925
Foreign Currency Gain	-	-	72,344	72,344
Total Segment Revenue	67,796	257,307	845,599	1,170,702
Segment net operating profit / (loss) after tax	(64,596)	3,152,332	(177,851)	2,909,886
Employee benefits	(39,534)	(263,849)	(180,659)	(484,042)
Depreciation	(1,382)	(1,180)	(43)	(2,605)
Gain on disposal	45,455	3,401,029	72,893	3,519,377
Segment assets	-	-	5,678,911	5,678,911
Segment liabilities	-	-	92,803	92,803
30 June 2018	\$	\$	\$	\$
Revenue				
Sales to external customers	888,347	1,101,398	-	1,989,745
Interest revenue	-	-	12,703	12,703
Other income	378	-	226,332	226,710
Total Segment Revenue	888,725	1,101,398	239,035	2,229,158
Segment net operating loss after tax	(7,403,688)	(344,558)	(348,310)	(8,096,556)
Depreciation	(9,175)	(7,815)	(247)	(17,237)
Impairment of goodwill	(4,880,299)	(59,718)	-	(4,940,017)
Segment assets	230,529	359,061	3,194,694	3,784,284
Segment liabilities	685,905	195,560	114,929	996,394

VPCL Limited (formerly known as VELPIC Limited)
Notes to the financial statements
30 June 2019

Note 4. Revenue

	Consolidated	
	2019	2018
	\$	\$
Fair value gain on investment	400,000	-
Interest Income	138,764	12,703
Gain on sale of NowForce business	72,893	-
Other Income	160,087	226,710
Total other income	<u>771,744</u>	<u>239,413</u>

Note 5. Expenses

	Consolidated	
	2019	2018
	\$	\$
Profit before income tax from continuing operations includes the following specific expenses:		
<i>Director's Fees</i>		
Company Secretarial	(48,500)	(36,000)
Directors Fees	(124,449)	(126,698)
Total Director's Fees	<u>(172,949)</u>	<u>(162,698)</u>
<i>Employee benefits expense</i>		
Salaries and superannuation	(172,790)	-
Employment taxes	(6,101)	(6,132)
Other costs	(1,769)	
Total Employee benefits expense	<u>(180,659)</u>	<u>(6,132)</u>
<i>Professional Fees</i>		
Accounting fees	(50,730)	(39,115)
Accounting fees – taxation	(27,164)	3,542
Audit costs	(4,284)	(20,833)
Consultants	-	44,106
Legal fees	(79,905)	(56,386)
Other Professional fees	(253,905)	(127,542)
Total Professional Fees	<u>(415,989)</u>	<u>(196,227)</u>

VPCL Limited (formerly known as VELPIC Limited)
Notes to the financial statements
30 June 2019

Note 6. Income tax expense

	Consolidated	
	2019	2018
	\$	\$
<i>Income tax expense</i>		
Current tax	-	-
Total income tax expense	-	-

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

Profit / (Loss)	2,909,886	(8,096,556)
Corporate tax rate applicable	27.50%	27.50%
Income tax expense calculated at the corporate tax rate applicable	800,219	(2,226,553)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	(30,709)	5,528
Effect of unused tax losses and tax offsets not recognised as deferred tax offsets	(527,382)	877,547
Non-deductible items	13,410	1,362,166
Non assessable income	(129,895)	(69,423)
Movement in unrecognised temporary differences	-	98,859
Deductible equity raising costs	-	(48,124)
Other Assessable Income	72,283	
Other Deductible Expenses	(197,926)	-
Income tax/(benefit) attributable to profit or loss	-	-

The tax rate used in the above reconciliation is the corporate tax rate payable by Australian corporate entities on taxable profits under Australian tax law. From 1 July 2016, the corporate tax rate for small business entities with aggregate turnover of less than \$10 million has been lowered to 27.5%.

<i>Deferred tax assets</i>		
<i>Employee provisions</i>		3,441
<i>Other provisions</i>	40,776	40,098
Less: Set off of deferred tax liabilities	(40,776)	(43,539)
Net deferred tax assets	-	-

Unused tax losses and temporary differences to which no deferred tax assets have been recognised:

Deductible temporary differences	-	404,177
Tax losses – revenue	5,680,170	6,304,100
Tax losses – capital	289,028	289,028
	5,969,198	6,997,305

Note 6. Income tax expense (continued)

The deductible temporary differences and tax losses do not expire under current tax legislation. The taxation benefits of tax losses not brought to account will only be obtained if:

- assessable income is derived of a nature and of amount sufficient to enable the benefit from the deductions to be realised;
- conditions for deductibility imposed by the law are complied with; and
- no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

Tax Consolidation

VPCL Limited and its 100% owned Australian resident subsidiaries implemented the tax consolidation legislation from 22 October 2015. The accounting policy for the implementation of the tax consolidation legislation is set out in note 1.

The entities in the tax consolidated group entered into a tax sharing agreement on adoption of the tax consolidation legislation, which, in the opinion of the directors, limits the joint, and several liability of the controlled entities in the case of a default by the head entity, VPCL Limited.

VPCL Limited and its controlled entities have entered into a tax funding agreement under which the 100% owned Australian resident subsidiaries compensate VPCL Limited for all current tax payable assumed and are compensated by VPCL Limited for any current tax receivable and deferred tax assets which relate to unused tax credits or unused tax losses that, under the tax consolidation legislation, are transferred to VPCL Limited. These amounts are determined by reference to the amounts that are recognised in the financial statements of each entity in the tax consolidated group

Note 7. Discontinued operations

	Consolidated	
	2019	2018
	\$	\$
Software-as-a-Service Business – operations and disposal	3,152,332	(7,368,722)
Brand Technology Agency – operations and disposal	<u>(64,596)</u>	<u>(330,909)</u>
Gain/(loss) for the period from discontinued operations	<u><u>3,087,737</u></u>	<u><u>(7,699,631)</u></u>

Software-as-a-Service Business

On 21 September 2018, the Group disposed of the Software-as-a-Service (LMS) Business. The software sold was the Group's Learning Management System.

Operating Profit / (Loss) on Software-as-a-Service Business for the year	(248,270)	(7,368,722)
Gain on disposal of the Software-as-a-Service Business	<u>3,401,029</u>	<u>-</u>
Software-as-a-Service Business – operations and disposal	<u><u>3,152,759</u></u>	<u><u>(7,368,722)</u></u>

VPCL Limited (formerly known as VELPIC Limited)
Notes to the financial statements
30 June 2019

Note 7. Discontinued operations (cont.)

The following were the operating results of the Software as a Service business for the year:

Revenue	257,307	888,347
Operating expenses	(505,577)	(3,367,972)
Goodwill write-off	-	(4,889,097)
	<u>-</u>	<u>-</u>
Loss before income tax	(248,270)	(7,368,722)
Income tax expense/(benefit)	-	-
	<u>-</u>	<u>-</u>
Loss after income tax	<u>(248,270)</u>	<u>(7,368,722)</u>

Cash Flow Information

	Consolidated	
	2019	2018
	\$	\$
Net cash from operating activities	40,810	315,000
Net cash from investing activities	1,466,667	1,270
	<u>1,507,477</u>	<u>316,270</u>

The net assets of Software-as-a-Service Business at the date of disposal were as follows:

	21 September 2018 \$
Net assets disposed of	74,526
Gain on disposal	<u>3,401,029</u>
Total consideration	<u>3,475,555</u>
Satisfied by cash, and net cash flow arising on disposal	<u>1,000,000</u>

VPCL Limited (formerly known as VELPIC Limited)
Notes to the financial statements
30 June 2019

Note 7. Discontinued operations (cont.)

Brand Technology Agency

On 20 December 2018, the Group disposed of the Brand Technology Agency.

	Consolidated	
	2019	2018
	\$	\$
Operating Loss on Brand Technology Agency for the year	(110,051)	(329,300)
Gain on disposal of the Brand Technology Agency	45,455	-
	<u>(64,596)</u>	<u>(329,300)</u>

Brand Technology Agency – operations and disposal

The following were the operating results of the Brand Technology Agency for the year:

Revenue	67,796	1,103,006
Operating expenses	(177,847)	(1,372,588)
Goodwill write-off	-	(59,718)
	<u>(110,051)</u>	<u>(329,300)</u>
Loss before income tax	(110,051)	(329,300)
Income tax expense/(benefit)	-	-
	<u>(110,051)</u>	<u>(329,300)</u>

Loss after income tax

Cash Flow Information

	Consolidated	
	2019	2018
	\$	\$
Net cash from operating activities	72,757	147,882
Net cash from investing activities	50,000	-
	<u>122,757</u>	<u>147,882</u>

The net assets of Brand Technology Agency at the date of disposal were as follows:

	20 December
	2018
	\$
Net assets disposed of	4,545
Gain on disposal	<u>45,455</u>
Total consideration	<u>50,000</u>
Satisfied by cash, and net cash inflow arising on disposal	<u>50,000</u>

VPCL Limited (formerly known as VELPIC Limited)
Notes to the financial statements
30 June 2019

Note 8. Current assets - cash and cash equivalents

	Consolidated	
	2019	2018
	\$	\$
Cash at bank and on hand	<u>2,204,998</u>	<u>1,947,980</u>
The weighted average interest rate earned on cash was 0.28% (2018: 0.041%p.a.)		
<i>Reconciliation of profit / (loss) for the year to net cash flows from operating activities</i>		
	Consolidated	
	2019	2018
	\$	\$
Net profit/(loss) for the year	2,909,886	(8,096,555)
Add back:		
Gain on disposal of business	(3,519,377)	-
Gain on disposal of plant & equipment	-	(378)
Gain on financial assets at FVTPL	(400,000)	-
Gain on Foreign Exchange Translation	(72,344)	-
Depreciation	2,605	17,237
Equity settled share-based payment	(111,669)	20,100
Impairment of goodwill	15,787	4,940,017
Provision for doubtful debts	-	84,268
Work in progress adjustments	(153,828)	-
(Increase)/decrease in assets:		
Trade and other receivables	441,329	(38,677)
Other current assets	-	(44,770)
Increase/(decrease) in liabilities:		
Trade and other payables	(839,050)	219,048
Provisions	<u>(64,968)</u>	<u>(19,168)</u>
Net cash from operating activities	<u>(1,791,629)</u>	<u>(2,918,879)</u>

VPCL Limited (formerly known as VELPIC Limited)
Notes to the financial statements
30 June 2019

Note 9. Receivables

	Consolidated	
	2019	2018
	\$	\$
Current:		
Trade receivables	137,083	347,539
Current receivable – NowForce Escrow	225,513	-
Current receivable on disposal of line of business – Damstra	833,065	-
Provision for Doubtful Debts	(137,083)	(110,489)
Work in Progress	-	153,828
Loan – Pro 9 Global	170,154	-
GST	17,509	-
FBT Instalments	4,811	427
Other	-	1,121
	<u>1,251,052</u>	<u>392,427</u>
Non-Current:		
Non-current receivable on disposal of line of business	<u>1,309,248</u>	<u>-</u>
Total Receivables	<u>2,560,300</u>	<u>392,427</u>

Aging of past due but not impaired

	Consolidated	
	2019	2018
	\$	\$
30 – 60 days	-	203,075
60 – 90 days	-	18,182
90 – 120 days	-	15,793
Total	<u>-</u>	<u>237,050</u>

Movement in the allowance for doubtful debts

	Consolidated	
	2019	2018
	\$	\$
Balance at the beginning of the year	110,489	26,221
Impairment losses recognised on receivables	49,998	93,621
Impairment losses reversed	(23,404)	(9,353)
Balance at the end of the year	<u>137,083</u>	<u>110,489</u>

In determining the recoverability of a trade receivable, the Group considers any changes in the credit quality of the trade receivable from the date credit was initially granted up to the balance date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for impairment.

Ageing of impaired trade receivables

	Consolidated	
	2019	2018
	\$	\$
30 – 60 days	-	44,319
60 – 90 days	-	-
90 – 120 days	137,083	66,170
Total	<u>137,083</u>	<u>110,489</u>

VPCL Limited (formerly known as VELPIC Limited)
Notes to the financial statements
30 June 2019

Note 10. Non-current assets - Investments

	Consolidated	
	2019	2018
	\$	\$
Lumi Financial	900,000	-
NowForce	-	1,282,338
	<u>-</u>	<u>1,282,338</u>
Total Investments	<u>900,000</u>	<u>1,282,338</u>

Note 11. Other current assets

	Consolidated	
	2019	2018
	\$	\$
Prepayments	<u>13,614</u>	<u>84,835</u>

Note 12. Non-current assets - plant and equipment

	Consolidated	
	2019	2018
	\$	\$
Office Fit Out	-	19,360
Less: Accumulated Depreciation	-	(1,839)
Computer	-	64,398
Less: Accumulated Depreciation	-	(51,054)
Hardware & Software	-	15,831
Less: Accumulated Depreciation	-	(15,099)
Office Furniture & Equipment	-	43,078
Less: Accumulated Depreciation	-	(21,345)
	<u>-</u>	<u>(21,345)</u>
Total Carrying Value	<u>-</u>	<u>53,470</u>

VPCL Limited (formerly known as VELPIC Limited)
Notes to the financial statements
30 June 2019

Note 12. Non-current assets - plant and equipment (continued)

Reconciliation of movement in plant & equipment values:

	Office Fit Out	Computer	Hardware & Software	Office Furniture & Equipment	Total
	\$	\$	\$	\$	\$
<i>Gross carrying amount</i>					
Balance at 1 July 2017	19,360	65,398	15,831	43,078	143,667
Additions	-	410	-	-	410
Disposals	-	(1,270)	-	-	(1,270)
Balance at 30 June 2018	19,360	64,538	15,831	43,078	142,807
Additions	-	-	-	-	-
Disposals	(19,360)	(64,538)	(15,831)	(43,078)	(142,807)
Balance at 30 June 2019	-	-	-	-	-
<i>Accumulated depreciation</i>					
Balance at 1 July 2017	(1,337)	(40,039)	(14,421)	(16,770)	(72,585)
Depreciation Expense	(484)	(11,500)	(678)	(4,575)	(17,237)
Disposals	-	485	-	-	485
Balance at 30 June 2018	(1,839)	(51,054)	(15,099)	(21,345)	(89,337)
Depreciation Expense	(121)	(1,471)	(87)	(927)	(2,605)
Disposals	1,960	52,525	15,186	22,272	91,942
Balance at 30 June 2019	-	-	-	-	-
<i>Carrying value</i>					
30 June 2018	17,521	13,484	732	21,733	53,470
30 June 2019	-	-	-	-	-

Note 13. Non-current assets – intangibles

	Consolidated	
	2019	2018
	\$	\$
Trademarks	23,662	23,662
Less: Disposal	(23,662)	-
Goodwill	-	4,940,017
Less: Impairment	-	(4,940,017)
Total intangible assets	-	23,662

Note 13. Non-current assets – intangibles (continued)

Reconciliation of movement in intangible asset values:

	Trademarks	Consolidated Goodwill	Total
	\$	\$	\$
<i>Gross carrying amount</i>			
Balance at 1 July 2017	23,662	4,940,017	4,963,679
Impairment	-	(4,940,017)	(4,940,017)
Balance at 30 June 2018	23,662	-	23,662
Disposals	(23,662)	-	(23,662)
Balance at 30 June 2019	-	-	-
<i>Provision for Impairment</i>			
Balance at 1 July 2017	-	-	-
Impairment Expense	-	(4,940,017)	(4,940,017)
Balance at 30 June 2018	-	(4,940,017)	(4,940,017)
Disposals	-	4,940,017	4,940,017
Balance at 30 June 2019	-	-	-

Note 14. Current liabilities - trade and other payables

	Consolidated 2019	Consolidated 2018
	\$	\$
Trade and other payables (i)	92,803	533,984
Employee Benefits	-	106,477
Unearned Income (ii)	-	290,965
Total trade and other payables	92,803	931,426

- (i) Trade payables are non-interest bearing and are normally settled on 30-day terms. Other payable are non-interest bearing and have repayment terms between seventy and ninety days.
- (ii) Unearned income is paid in advance by Learning Management System Clients. The amounts that the Company has earned are already deducted.

Note 15. Current liabilities - provisions

	Consolidated 2019	Consolidated 2018
	\$	\$
Current provisions for long service leave	-	64,968
Non-current provisions for long service leave	-	-
Total provisions	-	64,968

VPCL Limited (formerly known as VELPIC Limited)
Notes to the financial statements
30 June 2019

Note 16. Equity - Issued capital

	Consolidated	
	2019	2018
	\$	\$
1,130,846,123 Ordinary shares issued and fully paid	<u>33,216,771</u>	<u>33,216,771</u>

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Movements in ordinary shares on issue

Consolidated					
	Fair Value	2019		2018	
		Number	\$	Number	\$
Balance at beginning of year		1,130,846,123	33,216,771	678,473,176	29,068,461
Capital raising placement	\$0.008	-	-	121,155,625	969,245
Non-renounceable rights issue – 2 new shares for every 5 existing shares	\$0.008	-	-	102,766,717	822,134
Shortfall placement of Non-renounceable rights issue	\$0.008	-	-	178,450,605	1,427,604
Share-based payment: Achievement of Milestone 1 – approved at General Meeting 3 September 2015.	\$0.025	-	-	50,000,000	1,250,000
Cost of share issue		-	-	-	(320,673)
Balance at year end		<u>1,130,846,123</u>	<u>33,216,771</u>	<u>1,130,846,123</u>	<u>33,216,771</u>

Note 17. Equity - Reserves

Nature and purpose of reserves

Share-based payments reserve

This reserve is used to record the value of equity benefits provided to employees, directors as part of their remuneration and consultants in lieu of services.

	Consolidated	
	2019	2018
	\$	\$
Share-based payment reserve	<u>2,320,472</u>	<u>2,432,141</u>
Total reserves	<u>2,320,472</u>	<u>2,432,141</u>

Note 17. Equity - reserves (continued)

Movement in share-based payments reserve

	Consolidated 2019			Consolidated 2018		
	Weighted average exercise price	Number	\$	Weighted average exercise price	Number	\$
Balance at the beginning of the period	-	148,213,777	2,432,141	\$0.11	137,107,117	2,412,041
Options Issued:						
- Employee Options (i)	-	-	-	\$0.06	2,050,000	8,939
- Employee Options (ii)	-	-	-	-	-	24,662
- Director Options (iii)	-	-	-	-	-	-
- Free attaching options (iv)	-	-	-	\$0.02	114,963,777	-
- Consultant options (v)	-	-	-	-	-	-
Expired	-	(16,200,000)	-	-	(105,907,117)	-
Forfeited (ii)	-	(7,650,000)	(111,669)	-	-	(13,501)
Balance at end of the period		124,363,777	2,320,472	\$0.04	148,213,777	2,432,141

(i) 2,050,000 options under Velpic's employee share option plan were issued in the 2018 financial year. 50% of the options granted vested on 21 June 2018 with a further 25% vesting on 21 June 2019 and the final 25% vesting on 21 June 2020. As at 30 June 2018, 2,050,000 are on issue.

(ii) 9,780,000 options under Velpic's employee share option plan were issued in the 2016 financial year. 50% of the options granted vested on 11 November 2016 with a further 25% vesting on 11 November 2017 and the final 25% vesting on 11 November 2018. As at 30 June 2018, 2,540,000 are on issue.

(iii) Options issued to Directors following approval at the Annual General Meeting held on 25 November 2016.

(iv) Free attaching options issued as part of the rights issue

(v) Options issued to consultants as part of the rights issue could not be valued at the fair value of the services provided.

Total expense recognised as share-based payment net of forfeitures during the financial year are:

	Consolidated	
	2019	2018
	\$	\$
Share-based payment via issues / (forfeit) of options	(111,669)	20,100
	<u>(111,669)</u>	<u>20,100</u>

The balance of options outstanding as at 30 June 2019 is represented by:

Date options granted	Number of options outstanding	Exercise Price (\$)	Expiry Date
25/11/16	9,400,000	0.06	23/12/19
07/12/17	114,963,777	0.02	30/11/19

Each option gives the option holder the right to subscribe for one ordinary share. There are no voting rights attached to the options.

Note 18. Financial instruments

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

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

Market risk

Foreign currency risk

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

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

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	Assets		Liabilities	
	2019	2018	2019	2018
Consolidated	\$	\$	\$	\$
US dollars	158,152	-	-	-
	<u>158,152</u>	<u>-</u>	<u>-</u>	<u>-</u>

The consolidated entity had net assets denominated in foreign currencies of AUD \$225,513 as at 30 June 2019 (2018: NIL). Based on this exposure, had the Australian dollar weakened by 10% / strengthened by 5% against these foreign currencies with all other variables held constant, the consolidated entity's profit before tax for the year would have been \$25,057 higher / \$10,738 lower and equity would have been \$25,057 lower / \$10,738 higher. The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 6 months each year and the spot rate at each reporting date.

Price risk

The consolidated entity is not exposed to any significant price risk.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

VPCL Limited (formerly known as VELPIC Limited)
Notes to the financial statements
30 June 2019

Note 18. Financial instruments (continued)

The consolidated entity has the following material credit risk exposures as at 30 June 2019:

- Damstra Holdings Pty Ltd \$2,142,313
- Pro9 Global Ltd \$ 170,000

The loan to Pro9 Global Ltd is secured by a charge over the assets of Pro9.

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

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Fair value of financial instruments

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

Note 19. Fair value measurement

Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Consolidated - 2019				
<i>Assets</i>				
Ordinary shares at fair value through profit or loss	-	900,000	-	900,000
Total Assets	-	900,000	-	900,000
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Consolidated - 2018				
<i>Assets</i>				
Ordinary shares at fair value through profit or loss	-	-	1,282,338	1,282,338
Total assets	-	-	1,282,338	1,282,338

Assets and liabilities held for sale are measured at fair value on a non-recurring basis.

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Valuation techniques for fair value measurements categorised within level 2 and level 3

Unquoted investments have been valued using recent transaction prices.

Note 20. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2019	2018
	\$	\$
Short-term employee benefits	289,139	638,273
Post-employment benefits	10,014	62,302
Long-term benefits	46,665	3,333
Share-based payments	-	419,702
	<u>345,818</u>	<u>1,123,610</u>

Note 21. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by BDO (East Coast Partnership), the auditor of the VPCL Limited:

	Consolidated	
	2019	2018
	\$	\$
Auditors of the parent entity		
BDO East Coast Partnership	15,000	-
BDO (WA) Audit Pty Ltd	14,995	34,441
	<u>29,995</u>	<u>34,441</u>

Note 22. Contingent Assets

During the year the consolidated entity disposed of its investment in Nowforce. As part of the share sale agreement, the consolidated entity may receive deferred payments subject to the achievement of certain metrics by Nowforce of the coming 12 months, up to US\$660,000 (approximately AUD\$940,000 subject to exchange rates) on or around March 2021.

Because receipt of these deferred payments is not certain, no asset has been recognized within these financial statements.

Note 23. Commitments

	Consolidated	
	2019	2018
	\$	\$
<i>Capital Commitments</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Undrawn funds under loan facility to Pro9 Global Limited (i)	500,000	-
<i>Operating Lease Commitments</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year (ii)	34,226	200,432
After one year but not more than five years	-	35,150
	<u>34,226</u>	<u>235,582</u>

(i) This facility was fully drawn down by Pro9 Global Limited subsequent to the reporting date

(ii) The operating lease on the consolidated entity's former premises ceased on 31 August, 2019

VPCL Limited (formerly known as VELPIC Limited)
Notes to the financial statements
30 June 2019

Note 24. Related parties

	Country of Incorporation	Interest 2019	Interest 2018
Parent entity			
VPCL Limited (formerly Velpic Limited)	Australia		
Subsidiaries			
Dash Digital Pty Ltd ATF the Dash Unit Trust	Australia	100%	100%
VPCA Pty Ltd (formerly Velpic Australia Pty Ltd)	Australia	100%	100%

VPCL Limited is the ultimate Australian parent entity and ultimate parent of the Group.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and not disclosed in this note. Details of transactions between the Group and other related entities are disclosed below.

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	2019	2018
	\$	\$
Current receivables:		
Loan to Pro9 Global Limited	170,154	-
Current payables:		
Cloud Rainmaker	-	10,000

Transactions with related parties were made on an arm's length basis.

The loan to Pro9 is secured by a registered charge over the assets of Pro9 Global Limited. No expense has been recognised in the current or prior periods for bad or doubtful debts in respect of the amounts owed by related parties.

Other Transactions with key management personnel and their related parties

For the year ended 30 June 2019, the other transactions with key management personnel included:

- \$120,000 costs charged by Cloud Rainmakers Limited for Leanne Graham's professional fees as an executive officer to VPCL Limited, of which Leanne Graham is a director.
- \$110,000 costs charged by Merchant Corporate Advisory Pty Ltd for Justin Klintberg's professional fees as an advisor to VPCL Limited, of which Justin Klintberg is a director.
- \$1,068 costs charged by Draupner Investments Pty Ltd for Christopher Mews' Company Secretary fees.
- \$170,000 loaned to Pro9 Global Ltd, under a Loan Agreement dated 19th June 2019, of which Justin Klintberg is a director.

For the year ended 30 June 2018, the other transactions with key management personnel included:

- \$407,812 of costs charged by Jindalee Partners Pty Ltd for corporate advice, of which Harry Karelis is a director.
- \$4,508 in sales revenue billed to AusCann Group Holdings Ltd, of which Harry Karelis is a director.
- \$1,515 in sales revenue billed to Zelda Therapeutics Pty Ltd, of which Harry Karelis is a director.
- \$10,000 costs charged by Cloud Rainmakers Limited for Leanne Graham's professional fees as an executive officer to VPCL Limited, of which Leanne Graham is a director. The \$10,000 amount was accrued at 30 June 2018 and the invoice was subsequently received in August 2018.

VPCL Limited (formerly known as VELPIC Limited)
Notes to the financial statements
30 June 2019

Note 25. Parent entity information

Set out below is the supplementary information about the parent entity.

Financial Performance

	Parent	
	2019	2018
	\$	\$
Profit/(Loss) for the year	(253,323)	(8,096,556)
Other comprehensive loss	-	-
Total comprehensive loss	(253,323)	(8,096,556)

Financial position

	Parent	
	2019	2018
	\$	\$
Current assets	2,463,492	1,911,492
Non-current assets	900,000	1,283,201
Total assets	3,363,492	3,194,693
Current liabilities	77,699	406,803
Total liabilities	77,699	406,803
Equity		
Issued capital	3,285,793	33,216,771
Reserves		
- Share based payments	2,320,472	2,432,141
Accumulated losses	(30,202,448)	(32,861,021)
Total equity	5,335,795	2,787,891

Note 26. Events after the reporting period

Early settlement of amount receivable from Damstra for sale of LMS business

In July 2019, an early settlement of the remaining amount outstanding under the sale contract was negotiated, with a lump sum payment of \$2.05M due to be paid by Damstra to VPCL on or before 31 October 2019. Successful negotiation of this early settlement was announced to the market on 31 July 2019.

The terms of the early settlement agreement included an additional interest component of \$100,000 should early settlement not be completed by Damstra.

On 30 September 2019, VPCL Ltd and Damstra Technologies signed a letter of undertaking, granting Damstra Technologies a 2 day extension of time to pay the deferred consideration amount without penalty, wherein Damstra Technologies confirmed their irrevocable commitment to make the payment on or before 17th October 2019.

Apart from the matters as discussed above, no other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

VPCL Limited (formerly known as VELPIC Limited)
Notes to the financial statements
30 June 2019

Note 27. Earnings per share

There were no options on issue as at 30 June 2019 with potential dilutive effect, therefore diluted earnings per share is equal to basic earnings per share.

	Consolidated 2019 \$	2018 \$
<i>Earnings per share from continuing operations</i>		
Profit / (Loss) after income tax attributable to the owners of VPCL Limited	<u>(177,851)</u>	<u>(396,925)</u>
	Cents	Cents
Basic & diluted earnings per share	(0.02)	(0.04)
	Consolidated 2019 \$	2018 \$
<i>Earnings per share from discontinued operations</i>		
Profit / (Loss) after income tax attributable to the owners of VPCL Limited	<u>3,087,737</u>	<u>(7,699,631)</u>
	Cents	Cents
Basic & diluted earnings per share	0.27	(0.87)
	Consolidated 2019 \$	2018 \$
<i>Earnings per share for profit</i>		
Profit / (Loss) after income tax attributable to the owners of VPCL Limited	<u>2,909,886</u>	<u>(8,096,556)</u>
	Cents	Cents
Basic & diluted earnings per share	0.25	(0.91)
	Number	Number
<i>Weighted average number of ordinary shares</i>		
Weighted average number of ordinary shares used in calculating basic earnings per share	1,130,846,123	888,771,091
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	<u>n/a</u>	<u>n/a</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>1,130,846,123</u>	<u>888,771,091</u>

VPCL Limited (formerly known as VELPIC Limited)

Directors' declaration

30 June 2019

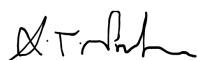
In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Group will be able to meet any obligations or liabilities to which they are, or may become, subject to.

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

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

On behalf of the directors



Leanne Graham

Director

30 September 2019

Melbourne

INDEPENDENT AUDITOR'S REPORT

To the members of VPCL Ltd (formerly known as 'Velpic Limited')

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of VPCL Ltd (formerly known as 'Velpic Limited') (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

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 are independent of the Group in accordance with 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.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Material uncertainty related to going concern

We draw attention to Note 1, *Going Concern* in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

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 of the current period. These 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. 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.

Valuation of deferred consideration

Key audit matter	How the matter was addressed in our audit
<p>The Group disposed of its Learning Management System Business during the period for an estimated total consideration of \$3.475m. This included a \$1m initial payment followed by quarterly payments over a period of 3 years.</p> <p>As the duration of the payments extends beyond 12 months, the receivable for deferred consideration must be measured initially at its fair value. The fair value of the consideration is also used in order to determine the gain on disposal. The audit of the accounting for this consideration is a key audit matter due to:</p> <ul style="list-style-type: none"> The financial significance to both the assets in the balance sheet and the gain on discontinued operations. Discounting for deferred cash consideration. <p>A renegotiation was entered into subsequent to reporting date for an early settlement of the deferred consideration as a once-off payment.</p> <p>This necessitated further consideration of the subsequent event on the valuation and classification of the receivable for the deferred consideration at reporting date.</p>	<p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> Obtaining and reviewing the terms of the contract of sale and vouching those amounts received to date. Reviewing management's calculation of the deferred consideration component to ensure that an appropriate discount rate had been used. Engaging our Corporate Finance Team in order to assess the appropriateness of the discount rate used. Engaging our IFRS technical team in order to assess the appropriate accounting treatment for the measurement and classification of the receivable for deferred consideration as at reporting date. Reviewed the adequacy of disclosure in relation to this transaction in the financial statements as at 30 June 2019.

Discontinued operations

Key audit matter	How the matter was addressed in our audit
<p>The Group, following the sale of both the Software-as-a-Service & Brand Technology divisions, has disclosed discontinued operations in the statement of profit and loss and other comprehensive income. The result of the discontinued operations amounts to a profit after tax of \$3,087,737.</p> <p>This was considered a key audit matter given the judgements made by the Group in determining whether the criteria set out in Australian Accounting Standards, for disclosure as a discontinued operation were met and the significance of this matter to the presentation of the financial report.</p> <p>The Group's disclosures related to discontinued operations are included in Note 7.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> We assessed whether the classification of discontinued operations was appropriate based on the criteria set out in Australian Accounting Standards. We assessed the adequacy of the discontinued operations disclosure in the financial report. We reviewed the contract of sale for the Software-as-a-Service business in order to ensure that the profit on sale had been accurately determined.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and the auditor's report thereon.

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

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

If, based on the work we have performed, 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 this 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:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 5 to 9 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of VPCL (formerly known as Velpic Limited) for the year ended 30 June 2019, 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.

BDO East Coast Partnership

A handwritten signature in black ink that reads 'Tim Fairclough'. Above the signature, the letters 'BDO' are handwritten in a simple, blocky style.

Tim Fairclough
Partner

Melbourne, 30 September 2019

VPCL Limited (formerly known as VELPIC Limited)
Shareholder information
30 June 2019

The shareholder information set out below was applicable as at 31 July 2019.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares
1 to 1,000	37
1,001 to 5,000	38
5,001 to 10,000	73
10,001 to 100,000	516
100,001 and over	705
	<hr/>
	1369
	<hr/>
Holding less than a marketable parcel	692
	<hr/>

Equity security holders

Twenty largest quoted equity security holders

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

	Number held	Ordinary shares % of total shares issued
THE TRUST COMPANY (AUSTRALIA) LIMITED	100,000,000	8.84
CHAMELEON CREATIVE PTY LTD	53,411,559	4.72
CHAMELEON CREATIVE PTY LTD	53,280,000	4.71
MR RUSSELL JOHN FRANCIS	52,500,000	4.64
MR JOHNATHON MATTHEWS	24,539,680	2.17
THE #INVESTMENT \$CO PTY LTD	24,275,000	2.15
MR MARK ANDREW TKOCZ & MS SUSAN ELIZABETH EVANS	15,000,000	1.33
MR ASLAM NAVEED SHAFEEK	14,260,000	1.26
GORRA & CO PTY LTD	13,500,000	1.19
IBT HOLDINGS PTY LTD	13,000,000	1.15
ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD	12,831,695	1.13
MR VINCE TRUDA	12,720,000	1.12
COMBINED VISION PTY LTD	11,997,129	1.06
TOWNS CORPORATION PTY LTD	10,410,000	0.92
MULLOWAY PTY LTD	10,000,000	0.88
TCH HOLDINGS PTY LTD	10,000,000	0.88
MS JIANMIN XIAO	8,315,405	0.74
BNZ CORPORATION PTY LTD	8,204,806	0.73
MRS CAROLYN KATZ	8,000,000	0.71
VTECH HOLDING PTY LTD	7,721,000	0.68
	<hr/>	
	471,394,845	41.69
	<hr/>	

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	124,363,777	258

VPCL Limited (formerly known as VELPIC Limited)
Shareholder information
30 June 2019

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
THE TRUST COMPANY (AUSTRALIA) LIMITED	100,000,000	8.84

Voting rights

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

Ordinary shares

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

There are no other classes of equity securities.