



VPCL Limited

ABN 65 149 197 651

Annual Report - 30 June 2020

VPCL Limited
Corporate directory
30 June 2020

Directors	Leanne Graham Christopher Mews Justin Klintberg (resigned 3 April 2020) David Wheeler (appointed 3 April 2020)
Company secretary	Christopher Mews
Notice of annual general meeting	The details of the annual general meeting of VPCL Ltd are: Virtual Meeting 18th November 2020
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 Audit Pty Ltd 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
Directors' report
30 June 2020**

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 2020.

Directors

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

Leanne Graham
Christopher Mews
Justin Klintberg (resigned 3 April 2020)
David Wheeler (appointed 3 April 2020)

Principal activities

The Group's principal activities have historically 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. During the year, the Company has focussed on realising assets, winding down operations of its former businesses and actively seeking new investment opportunities.

Dividends

No dividends have been declared or paid for the year ended 30 June 2020 (2019: NIL).

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$1,412,842 (Profit 30 June 2019: \$2,909,886).

The consolidated entity continued to scale down operations post the sale of the LMS and brand technology agency in order to preserve cash, while the Board's core focus remained on identifying & assessing investment opportunities and to achieve re-listing of the Company's shares on the ASX.

The Board reviewed many potential acquisition opportunities during the year across various sectors. The Company undertook significant review of many potential targets and proceeded to in principle regulator approval of a proposed transaction in December 2019 which was unsuccessful. A revised submission was put forward in March 2020 however despite positive discussions and feedback, this transaction did not proceed.

As at the end of the year, the board was in advanced stages of negotiation on a new acquisition for the Company, with the intention to commence the process for the re-instatement of the Company's shares to trading on the ASX following re-compliance with Chapters 1 and 2 of the ASX Listing Rules. .

In preparation for a future acquisition and with the view to maximising the value of the listed corporate entity, the Board resolved to undertake a program of asset realisations in the second half of the year. The board formed the opinion that maximum value would be achieved in a future transaction by maximising cash holdings of the company.

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 on sale before income tax of \$3,401,029. The original terms of sale included an upfront payment of \$1,000,000 with the balance to be paid over 12 quarterly instalments of \$233,333. These terms were modified by mutual agreement, whereby the consolidated entity agreed to early settlement of the deferred consideration in the amount of \$2,050,000 which was received in October 2019.

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In December 2018, VPC received payment of approximately \$1.245 million (US\$895,900) from the sale of its interest in NowForce Ltd with a further 15% held in escrow for 18 months. The escrow period expired in May 2020 and VPC received the final payment of \$233,293 (US\$164,379) in June 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.

The Company commenced the voluntary winding up of two subsidiary entities relating to the former LMS and Brand Technology Agency businesses, in order to simplify operations under a single trading entity. Formal notification to ASIC was lodged in June 2020.

Non-executive director Mr Justin Klintberg resigned from the Company to pursue other business interests. Justin has been replaced in the role by Mr David Wheeler. David provides VPC with over 30 years' experience in executive management, directorships and has significant corporate advisory experience.

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

As part of the board's program of asset realisation, the Board made the strategic decision to accept realisation of two material assets below their book value.

In July 2020, VPC sold 100% of its investment in Lumi Financial Holdings Ltd for consideration of \$500,000, which fully recovered the initial capital invested. The Board reviewed its position in Lumi and the market outlook for unlisted illiquid investments of this type. After discussions with Lumi it was clear to the Board that the sector Lumi is operating in has been adversely affected by the downturn in the economy and that the risk of retaining the investment was too high.

In August 2020, the Company reached a deed of settlement with Pro9 Global Ltd in relation to the loan funds (including accrued interest) of \$693,563 owed by Pro 9 Global Ltd to VPC. Under the terms of the deed, the Company accepted a settlement of \$200,000 in cash plus 2.5 million shares in Pro9 Global Ltd. VPCL has received maximum cash upfront under the settlement agreement while also acquiring 2.5m shares in Pro 9 that may increase in value as Pro9 delivers on its business strategy. As a result of this settlement, the Company has incurred an impairment loss on the Pro 9 Global Ltd loan in the 2020 financial year of \$359,471. In September 2020, \$200,000 the cash component of the settlement of the loan repayment was received from Pro 9.

The decision of the Board to realise these assets at below book value was made in context of:

- a) The Company being in early stages of negotiation with an acquisition target;
- b) The Board's view that the value of the VPC listed shell in any acquisition transaction would be maximised by conversion of non-cash assets into cash prior to a transaction being finalised;
- c) Both investments were unlisted and therefore illiquid which often results in a discount to carrying value; and
- d) The potential impact of COVID-19 on the Lumi Financial Holdings Pty Ltd and Pro 9 Global Ltd businesses. This is further discussed at Note 22.

The COVID-19 continued to have a minor impact on the operations of the Company, with 'stage 4' restrictions implemented in metropolitan Melbourne in August.

Formal notification of deregistration of the two subsidiary entities relating to the former LMS and Brand Technology Agency businesses was received from ASIC in July and August 2020 respectively.

The Company is in the advanced stages of negotiation to finalise a business acquisition, and subsequent to the end of the year has sought regulator in principle approval for the transaction. As of the date of this report the Board is unable to announce specific details of the proposed transaction. The Board is optimistic at the prospects of the transaction proceeding and should that occur, will make a further announcement

Apart from the matters discussed above, no other matter or circumstance has arisen since 30 June 2020 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.

VPCL Limited
Directors' report
30 June 2020

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 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, ArchTis and VPCL Ltd.
Former directorships (last 3 years):	Apps Village
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)
Name:	Christopher Mews
Title:	Non-Executive Director
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:	Auscann Group Holdings Ltd
Former directorships (last 3 years):	1 Page Limited
Name:	David Wheeler
Title:	Non-Executive Director
Qualifications:	Fellow of the Australian Institute of Company Directors
Experience and expertise:	Mr Wheeler has more than 30 years of senior executive management, directorships and corporate advisory experience in both Australia and foreign countries and regions including the USA, UK, Europe and Asia. Mr Wheeler is a foundation director and partner of Pathways Corporate, a Corporate Advisory firm that undertakes assignments on behalf of a range of clients including ASX listed companies. David serves on both public and private boards and currently holds a number of directorships and advisory positions in Australian ASX listed companies.
Other current directorships:	Thred Limited, Avira Resources Limited, Blaze International Limited, Protean Waver Energy Limited, Eneabba Gas Limited, Ragnar Minerals Limited, Tyranna Resources Limited, Syntonic Limited and VPCL Limited.
Former directorships (last 3 years):	Antilles Oil NL, Ausmex Mining Group Limited, Castillo Copper Limited, Delecta Ltd and 333D Limited

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

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'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.

Meetings of directors

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

	Full board		Nomination and Remuneration Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Leanne Graham	11	11	-	-	2	2
Justin Klintberg	8	8	-	-	2	2
Christopher Mews	11	11	-	-	2	2
David Wheeler	4	4				

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

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
- Letters of appointment
- 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. It is considered to conform to the market best practice for the delivery of reward. 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 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.

VPCL Limited
Directors' report
30 June 2020

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. The Board 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 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:

- Leanne Graham - Executive Chairman
- Christopher Mews - Non-Executive Director
- Justin Klintberg – Non-Executive Director (resigned 3 April 2020)
- David Wheeler – Non-Executive Director (appointed 3 April 2020)

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	Consulting fees	Non-monetary	Super-annuation	Long service leave	Equity-settled shares	Total
2020	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Christopher Mews	42,000	-	-	-	-	-	42,000
Justin Klintberg (i)	31,500	60,000	-	-	-	-	91,500
David Wheeler (ii)	10,500	-	-	-	-	-	10,500
<i>Executive Directors:</i>							
Leanne Graham	42,000	65,000	-	-	-	-	107,000
	126,000	125,000	-	-	-	-	251,000

(i) Represents remuneration from 1 July 2019 to 3 April 2020

(ii) Represents remuneration from 3 April 2020 to 30 June 2020

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	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Consulting fees	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	110,000	-	-	-	-	152,000
<i>Executive Directors:</i>							
Leanne Graham	42,000	120,000	-	-	-	-	162,000
<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
	289,139	230,000	-	10,014	46,665	-	575,818

(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

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

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2020	2019	2020	2019	2020	2019
Leanne Graham	100%	100%	-	-	-	-
Justin Klintberg	100%	100%	-	-	-	-
Christopher Mews	100%	100%	-	-	-	-
David Wheeler	100%	-	-	-	-	-
Russell Francis	-	100%	-	-	-	-
Rhonda Robati	-	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 office of Director. The key terms of the Agreements with KMP are as follows:

Name:	Leanne Graham
Title:	Executive Director
Agreement commenced:	1 July 2020
Term of agreement:	1 year
Details:	Fees for the year ending 30 June 2021 of \$42,000, no superannuation, to be reviewed annually by the Board. No notice stipulated to terminate the contract by either party, subject to re-election under ASX rules.

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Name: Christopher Mews
Title: Company Secretary Non-Executive Director
Agreement commenced: 1 July 2020
Term of agreement: 1 year
Details: Fees for the year ending 30 June 2021 of \$42,000, no superannuation, to be reviewed annually by the Board. No notice stipulated to terminate the contract by either party, subject to re-election under ASX rules.

Name: David Wheeler
Title: Non-Executive Director
Agreement commenced: 1 July 2020
Term of agreement: 1 year
Details: Fees for the year ending 30 June 2021 of \$42,000, no superannuation, to be reviewed annually by the Board. 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 2020 are summarised below:

	2020 \$	2019 \$	2018 \$	2017 \$	2016 \$
Sales revenue	-	321,669	1,989,745	1,781,257	1,399,559
EBITDA (i)	(1,412,842)	2,909,886	(3,139,302)	(3,703,764)	(3,431,722)
EBIT (i)	(1,412,842)	2,909,886	(8,096,556)	(3,727,375)	(4,648,765)
Profit (loss) after income tax	(1,412,842)	2,909,886	(8,096,556)	(3,727,375)	(4,655,335)

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

	2020	2019	2018	2017	2016
Share price at financial year end (cents per share) (ii)	0.004	0.004	0.004	0.012	0.032
Total dividends declared (cents per share)	0.00	0.00	0.00	0.00	0.00
Basic earnings per share (cents per share)	(0.12)	0.26	(0.91)	(0.55)	(1.19)

(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 2020 represents last traded price.

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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
<i>Ordinary shares</i>					
Leanne Graham	666,667	-	-	-	666,667
Justin Klintberg	-	-	-	-	-
Christopher Mews	625,000	-	-	-	625,000
David Wheeler	-	-	-	-	-
	<u>1,291,667</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,291,667</u>

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)	-
David Wheeler	-	-	-	-	-
	<u>10,555,602</u>	<u>-</u>	<u>-</u>	<u>(10,555,602)</u>	<u>-</u>

**VPCL Limited
Directors' report
30 June 2020**

Other Transactions with key management personnel and their related parties

For the year ended 30 June 2020, the other transactions with key management personnel included:

- \$30,000 costs charged by Draupner Investments Pty Ltd for Christopher Mews' Company Secretary fees.

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

- \$1,068 costs charged by Draupner Investments Pty Ltd for Christopher Mews' Company Secretary fees.

This concludes the remuneration report, which has been audited.

Shares under option

All unissued shares of VPC which were previously under option have now expired.

Shares issued on the exercise of options

No ordinary shares of VPC were issued during the year ended 30 June 2020 and up to the date of this report on the exercise of options granted.

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

VPCL Limited
Directors' report
30 June 2019

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

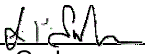
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

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 2020
Melbourne

DECLARATION OF INDEPENDENCE BY TIM FAIRCLOUGH TO THE DIRECTORS OF VPCL LTD

As lead auditor of VPCL Ltd for the year ended 30 June 2020, 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 and the entities it controlled during the year.



Tim Fairclough
Director

BDO Audit Pty Ltd

Melbourne, 30 September 2020

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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 2020. The directors have the power to amend and reissue the financial statements.

VPCL Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2020

		Consolidated	
	Note	2020	2019
		\$	\$
Revenue from continuing operations			
Other income	3	64,655	771,744
Foreign Exchange Gain		7,758	72,344
Expenses			
Compliance cost		(45,663)	(47,341)
Directors' fees	4	(156,000)	(172,949)
Depreciation and amortisation		-	(43)
Employee benefits expense	4	15,131	(180,659)
Fair Value Loss		(400,000)	-
Finance charges on Damstra early settlement		(92,313)	-
Impairment of receivable	8	(359,471)	-
Professional & consulting fees	4	(361,939)	(415,989)
Rent & utilities		(52,834)	(212,586)
Reversal of Doubtful Debt provision		15,160	-
Share-based payments		-	111,669
Travel expenses		(425)	(12,129)
Other expenses		(46,901)	(91,912)
Profit / (Loss) before income tax expense from continuing operations		<u>(1,412,842)</u>	<u>(177,851)</u>
Income tax benefit	5	-	-
Profit / (Loss) after income tax benefit from continuing operations		<u>(1,412,842)</u>	<u>(177,851)</u>
Discontinued Operations			
Profit / (Loss) from discontinued operations	6	-	3,087,737
Profit / (Loss) before income tax benefit from discontinued operations		-	3,087,737
Income tax benefit		-	-
Profit / (Loss) after income tax benefit from discontinued operations		-	3,087,737
Profit / (Loss) after income tax expense for the year		(1,412,842)	2,909,886
Other comprehensive income		-	-
Total comprehensive income for the year		<u>(1,412,842)</u>	<u>2,909,886</u>

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

VPCL Limited
Statement of profit or loss and other comprehensive income (cont.)
For the year ended 30 June 2020

Profit / (Loss) for the year is attributable to members of VPCL Limited		<u>(1,412,842)</u>	<u>2,909,886</u>
Total comprehensive income for the year is attributable to members of VPCL Limited		<u>(1,412,842)</u>	<u>2,909,886</u>
Basic & diluted profit/(loss) per share (cents per share) from continuing operations attributable to members of VPCL Limited	23	(0.12)	(0.02)
Basic & diluted profit/(loss) per share (cents per share) from discontinued operations attributable to members of VPCL Limited	23	-	0.27
Basic & diluted profit/(loss) per share (cents per share) attributable to members of VPCL Limited	23	<u>(0.12)</u>	<u>0.25</u>

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

VPCL Limited
Statement of financial position
As at 30 June 2020

		Consolidated	
	Note	2020	2019
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	7	3,343,249	2,204,998
Receivables	8	342,912	1,251,051
Other current assets		28,211	13,614
Investments held for sale	9	500,000	-
Total Current Assets		4,214,372	3,469,663
Non-current assets			
Receivables	8	-	1,309,248
Investments	9	-	900,000
Total non-current assets		-	2,209,248
Total assets		4,214,372	5,678,911
Liabilities			
Current liabilities			
Trade and other payables	10	41,106	92,803
Total Current Liabilities		41,106	92,803
Total liabilities		41,106	92,803
Net assets		4,173,266	5,586,108
Equity			
Issued capital	11	33,216,771	33,216,771
Reserves	12	2,320,472	2,320,472
Accumulated losses		(31,363,977)	(29,951,135)
Total equity		4,173,266	5,586,108

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

VPCL Limited
Statement of changes in equity
For the year ended 30 June 2020

Consolidated	Issued capital \$	Share Based Payment Reserve \$	Accumulated Losses \$	Total equity \$
Balance at 1 July 2018	33,216,771	2,432,141	(32,861,021)	2,787,891
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
<i>Transactions with owners in their capacity as owners:</i>				
Options Expired	-	(111,669)	-	(111,669)
Balance at 30 June 2019	33,216,771	2,320,472	(29,951,135)	5,586,108

Consolidated	Issued capital \$	Share Based Payment Reserve \$	Accumulated Losses \$	Total equity \$
Balance at 1 July 2019	33,216,771	2,320,472	(29,951,135)	5,586,108
Profit after income tax expense for the year	-	-	(1,412,842)	(1,412,842)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(1,412,842)	(1,412,842)
<i>Transactions with owners in their capacity as owners:</i>				
Options Forfeited	-	-	-	-
Balance at 30 June 2020	33,216,771	2,320,472	(31,363,977)	4,173,266

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

VPCL Limited
Statement of cash flows
For the year ended 30 June 2020

		Consolidated	
	Note	2020	2019
		\$	\$
Cash flows from operating activities			
Receipts from customers inclusive of GST		-	435,176
Payments to suppliers and employees		(678,838)	(2,471,283)
Interest received		38,077	161,597
Interest received Income Tax – R&D rebate		-	4,186
Cash receipts from other operating activities		-	78,695
Net cash used in operating activities	7	(640,761)	(1,791,629)
Cash flows from investing activities			
Proceeds from sale of investments, net of cash given up		2,289,012	2,718,647
Loan funds advanced		(510,000)	(670,000)
Net cash received in investing activities		1,779,012	2,048,647
Net increase/(decrease) in cash and cash equivalents		1,138,251	257,019
Cash and cash equivalents at the beginning of the financial year		2,204,998	1,947,980
Cash and cash equivalents at the end of the financial year	7	<u>3,343,249</u>	<u>2,204,998</u>

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 Group has adopted all relevant new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current year.

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

AASB Interpretation 23 Uncertainty over Income Tax Treatments (Adopted 1 July 2019)

Interpretation 23 requires the assessment of whether the effect of uncertainty over income tax treatments should be included in the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The Interpretation outlines the requirements to determine whether an entity considers uncertain tax treatments separately, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances.

There has been no impact from the adoption of Interpretation 23 in this reporting period.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 July 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 has adopted this standard from 1 July 2019 and it has not resulted in any material impact on the financial statements .

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

Basis of preparation

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

Historical cost convention

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.

VPCL Limited
Notes to the financial statements
30 June 2020

Note 1. Significant accounting policies (continued)

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 2020 the consolidated entity recorded net cash inflows of \$1,138,251, a cash balance of \$3,343,249 and a net loss of \$1,412,842.

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. The consolidated entity has a stable cash position at 30 June 2020 as well as the additional realisation of assets post reporting date and are in advanced negotiations relating to the acquisition of a new business.

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 complete the proposed acquisition that is currently subject to regulator approval.

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 20.

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 2020 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.

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.

Note 1. Significant accounting policies (continued)

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 VPC'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:

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.

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.

VPC (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.

Note 1. Significant accounting policies (continued)

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.

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.

Note 1. Significant accounting policies (continued)

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, it's 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.

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.

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.

Note 1. Significant accounting policies (continued)

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.

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.

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 VPC, 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.

Note 1. Significant accounting policies (continued)

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 2020. 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.

Conceptual Framework for Financial Reporting (Conceptual Framework)

The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 January 2020 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the consolidated entity has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the consolidated entity may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the consolidated entity's financial statements.

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.

Determining the stage for impairment

At each reporting date, the consolidated entity assesses whether there has been a significant increase in credit risk for loans receivable since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date. This includes quantitative and qualitative information. Refer to Note 8. Loan receivables will move through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and reverses any previously assessed significant increase in credit risk since origination, then the allowance for impairment losses reverts from lifetime ECL to 12-months ECL. Loans receivable that have not deteriorated significantly since origination are considered to have a low credit risk. The allowance for impairment losses for these loans receivable is based on a 12-months ECL. When an asset is uncollectible, it is written off against the related provision. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off reduce the amount of the expense in the income statement.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

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. The fair value of the settlement shares for the Pro 9 Global Ltd loan has been made in reference to the last capital raising price.

Note 3. Revenue

	Consolidated	
	2020	2019
	\$	\$
Fair value gain on investment	-	400,000
Interest Income	50,523	138,764
Gain on sale of NowForce business	-	72,893
Other Income	14,132	160,087
Total other income	64,655	771,744

VPCL Limited
Notes to the financial statements
30 June 2020

Note 4. Expenses

	Consolidated	
	2020	2019
	\$	\$
Profit before income tax from continuing operations includes the following specific expenses:		
<i>Director's Fees</i>		
Company Secretarial	(30,000)	(48,500)
Directors Fees	(126,000)	(124,449)
Total Director's Fees	(156,000)	(172,949)
<i>Employee benefits expense</i>		
Salaries and superannuation	-	(172,790)
Reversal of over accrued employment tax	15,131	(6,101)
Other costs	-	(1,769)
Total Employee benefits expense	15,131	(180,659)
<i>Professional Fees</i>		
Accounting fees	(81,367)	(50,730)
Accounting fees – taxation	-	(27,164)
Audit costs	(43,000)	(4,284)
Legal fees	(87,356)	(79,905)
Other Professional fees	(150,216)	(253,905)
Total Professional Fees	(361,939)	(415,989)

VPCL Limited
Notes to the financial statements
30 June 2020

Note 5. Income tax expense

	Consolidated	
	2020	2019
	\$	\$
<i>Income tax expense</i>		
Current tax	-	-
Total income tax expense	-	-

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

Profit / (Loss)	(1,412,842)	2,909,886
Corporate tax rate applicable	27.50%	27.50%
Income tax (benefit) / expense calculated at the corporate tax rate applicable	<u>(388,532)</u>	<u>800,219</u>
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	-	(30,709)
Effect of unused tax losses and tax offsets not recognised as deferred tax offsets	214,863	(527,382)
Non-deductible items	234,241	13,410
Non assessable income	(5,821)	(129,895)
Other Assessable Income	-	72,283
Other Deductible Expenses	<u>(54,751)</u>	<u>(197,926)</u>
Income tax/(benefit) attributable to profit or loss	<u>-</u>	<u>-</u>

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 2018, the corporate tax rate for small business entities with aggregate turnover of less than \$50 million has been lowered to 27.5%.

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

Unused tax losses and temporary differences disclosed below at a tax rate of 27.5% for which no deferred tax assets have been recognised:

Deductible temporary differences	-	-
Tax losses – revenue	6,318,997	5,680,170
Tax losses – capital	-	289,028
	<u>6,318,997</u>	<u>5,969,198</u>

Note 5. 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

VPC 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, VPC.

VPC and its controlled entities have entered into a tax funding agreement under which the 100% owned Australian resident subsidiaries compensate VPC 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 VPC. 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 6. Discontinued operations

	Consolidated	
	2020	2019
	\$	\$
Software-as-a-Service Business – operations and disposal	-	3,152,332
Brand Technology Agency – operations and disposal	-	(64,596)
Gain/(loss) for the period from discontinued operations	-	<u>3,087,737</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)
Gain on disposal of the Software-as-a-Service Business	-	<u>3,401,029</u>
Software-as-a-Service Business – operations and disposal	-	<u>3,152,759</u>

VPCL Limited
Notes to the financial statements
30 June 2020

Note 6. Discontinued operations (continued)

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

Revenue	-	257,307
Operating expenses	-	(505,577)
Goodwill write-off	-	-
		<hr/>
Loss before income tax	-	(248,270)
Income tax expense/(benefit)	-	-
		<hr/>
Loss after income tax	-	<u>(248,270)</u>

Cash Flow Information

	Consolidated	
	2020	2019
	\$	\$
Net cash from operating activities	-	40,810
Net cash from investing activities	-	1,466,667
	-	<u>1,507,477</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>
Deferred consideration receivable - Damstra	<u>2,475,554</u>
Total consideration	<u>3,475,554</u>

Note 6. Discontinued operations (continued)

Brand Technology Agency

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

	Consolidated	
	2020	2019
	\$	\$
Operating Loss on Brand Technology Agency for the year	-	(110,051)
Gain on disposal of the Brand Technology Agency	-	45,455
	<u>-</u>	<u>45,455</u>
Brand Technology Agency – operations and disposal	<u>-</u>	<u>(64,596)</u>

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

Revenue	-	67,796
Operating expenses	-	(177,847)
Goodwill write-off	-	-
	<u>-</u>	<u>-</u>
Loss before income tax	-	(110,051)
Income tax expense/(benefit)	-	-
	<u>-</u>	<u>-</u>
Loss after income tax	<u>-</u>	<u>(110,051)</u>

Cash Flow Information

	Consolidated	
	2020	2019
	\$	\$
Net cash from operating activities	-	72,757
Net cash from investing activities	-	50,000
	<u>-</u>	<u>122,757</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	45,455
	<u>45,455</u>
Total consideration	50,000
Satisfied by cash, and net cash inflow arising on disposal	<u>50,000</u>

VPCL Limited
Notes to the financial statements
30 June 2020

Note 7. Current assets - cash and cash equivalents

	Consolidated	
	2020	2019
	\$	\$
Cash at bank and on hand	<u>3,343,249</u>	<u>2,204,998</u>

The weighted average interest rate earned on cash was 0.07% (2019: 0.28%p.a.)

Reconciliation of profit / (loss) for the year to net cash flows used in operating activities

	Consolidated	
	2020	2019
	\$	\$
Net profit/(loss) for the year	(1,412,842)	2,909,886
Add back:		
Gain on disposal of business	-	(3,519,377)
Loss on financial assets at FVTPL	400,000	(400,000)
Loss on early settlement of Damstra receivable	92,313	
Gain on Foreign Exchange Translation	(7,758)	(72,344)
Depreciation	-	2,605
Equity settled share-based payment	-	(111,669)
Impairment of goodwill	-	15,787
Impairment of loan receivable	359,471	-
Work in progress adjustments	-	(153,828)
(Increase)/decrease in assets:		
Trade and other receivables	-	441,329
Interest receivable	(5,650)	-
Other assets	(14,597)	-
Increase/(decrease) in liabilities:		
Trade and other payables	(51,698)	(839,050)
Provisions	-	(64,968)
Net cash used in operating activities	<u>(640,761)</u>	<u>(1,791,629)</u>

Note 8. Receivables

	2020	Consolidated 2019
	\$	\$
Current:		
Trade receivables	-	137,083
Current receivable – NowForce Escrow	-	225,513
Current receivable on disposal of line of business – Damstra	-	833,065
Provision for Doubtful Debts	-	(137,083)
Loan – Pro 9 Global Ltd	693,563	170,154
Impairment of Pro 9 Global Ltd Loan	(359,471)	
GST	8,820	17,509
FBT Instalments	-	4,811
	<u>342,912</u>	<u>1,251,052</u>
Non-Current:		
Non-current receivable on disposal of line of business	-	1,309,248
	<u>342,912</u>	<u>2,560,300</u>
Total Receivables	<u>342,912</u>	<u>2,560,300</u>

Movement in the provision for doubtful debts

	Consolidated 2020	2019
	\$	\$
Balance at the beginning of the year	137,083	110,489
Impairment losses recognised	(137,083)	49,998
Impairment losses reversed	-	(23,404)
Balance at the end of the year	<u>-</u>	<u>137,083</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. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for impairment.

VPCL Limited
Notes to the financial statements
30 June 2020

Ageing of impaired trade receivables

	Consolidated	
	2020	2019
	\$	\$
30 – 60 days	-	-
60 – 90 days	-	-
90 – 120 days	-	137,083
Total	-	137,083

Impairment of loan to Pro9 Global Ltd

In August 2020, the Company reached a deed of settlement with Pro9 Global Ltd in relation to the loan funds (including accrued interest) of \$693,563 owed by Pro 9 Global Ltd to VPC. Under the terms of the deed, the Company accepted a settlement of \$200,000 in cash plus 2.5 million shares in Pro9 Global Ltd. An amount of \$9,092 related to interest was recovered post balance date. The Board has determined the fair value of the shares issued to be \$125,000. As a result of this settlement, the Company has incurred an impairment loss on the Pro 9 Global Ltd loan in the 2020 financial year of \$359,471.

The decision of the Board to accept settlement at below book value was made in context of:

- The Company being in early stages of negotiation with an acquisition target;
- The Board's view that the value of the VPC listed shell in any acquisition transaction would be maximised by conversion of non-cash assets into cash prior to a transaction being finalised;
- The impact of COVID-19 on the Lumi Financial Holdings Ltd and Pro 9 Global Ltd businesses. This is further discussed at Note 22.

In September 2020, the equity component comprising 2.5 million ordinary shares in Pro9 Global Ltd and \$200,000 as the cash component of the settlement of the loan repayment was received from Pro 9 Global Ltd

Note 9. Non-current assets held for sale - Investments

	Consolidated	
	2020	2019
	\$	\$
Current:		
Lumi Financial Holdings Ltd – at fair value ⁽ⁱ⁾	500,000	-
Non-Current:		
Lumi Financial Holdings Ltd – at fair value	-	900,000
Total Investments	500,000	900,000

(i) On 24th July 2020, the Company completed a sale of its shares in Lumi Financial Holdings Ltd to existing Lumi shareholders, at a transaction price of \$0.10 per share to net total proceeds of \$500,000. This transaction price represented VPCL's original cost of the investment, but a discount on previous carrying value of \$0.18 per share which was based on the most recent capital raise conducted by Lumi Financial Holdings Ltd. The Company has recognized a \$400,000 fair value loss in the 2020 year on this investment.

VPCL Limited
Notes to the financial statements
30 June 2020

Note 10. Current liabilities - trade and other payables

	Consolidated	
	2020	2019
	\$	\$
Trade and other payables (i)	41,106	92,803
Total trade and other payables	41,106	92,803

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.

Note 11. Equity - Issued capital

	Consolidated	
	2020	2019
	\$	\$
1,130,846,123 Ordinary shares issued and fully paid	33,216,771	33,216,771

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			
	2020		2019	
	Number	\$	Number	\$
Balance at beginning of year	1,130,846,123	33,216,771	1,130,846,123	33,216,771
Balance at year end	1,130,846,123	33,216,771	1,130,846,123	33,216,771

VPCL Limited
Notes to the financial statements
30 June 2020

Note 12. 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	
	2020	2019
	\$	\$
Share-based payment reserve	2,320,472	2,320,472
Total reserves	<u>2,320,472</u>	<u>2,320,472</u>

Movement in share-based payments reserve

	Consolidated 2020			Consolidated 2019		
	Weighted average exercise price	Number	\$	Weighted average exercise price	Number	\$
Balance at the beginning of the period	-	124,363,777	2,320,472	-	148,213,777	2,432,141
Expired	-	(124,363,777)	-	-	(16,200,000)	-
Forfeited (ii)	-	-	-	-	(7,650,000)	(111,669)
Balance at end of the period	-	-	<u>2,320,472</u>	-	<u>124,363,777</u>	<u>2,320,472</u>

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

	Consolidated	
	2020	2019
	\$	\$
Share-based payment via issues / (forfeit) of options	-	(111,669)
	<u>-</u>	<u>(111,669)</u>

There were no options outstanding as at 30 June 2020.

Note 13. 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.

Note 13. Financial instruments (continued)

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	
	2020	2019	2020	2019
Consolidated	\$	\$	\$	\$
US dollars	-	158,152	-	-
	<u>-</u>	<u>158,152</u>	<u>-</u>	<u>-</u>

The consolidated entity had no net assets denominated in foreign currencies at 30 June 2020 (2019: AUD \$225,513).

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.

The consolidated entity has the following material credit risk exposures as at 30 June 2020:

- Pro9 Global Ltd \$ 693,563

The loan to Pro9 Global was in default under the terms of the loan agreement at 30 June 2020 and was therefore credit impaired. Subsequent to the end of the year, VPCL entered into a settlement deed with Pro9 Global to settle this loan in return for consideration of \$200,000 cash and 2,500,000 ordinary shares in Pro9 Global Ltd. The directors have determined the total value of consideration to be less than the carrying value of the loan, and as such the company has partially written off the loan balance, calculated as follows:

Carrying value	693,563
Interest payments received subsequent to year end	(9,091)
Fair value of consideration received under the settlement deed	325,000
Write off recognised	359,472

Note 13. Financial instruments (continued)

In accordance with the settlement deed, the security charge held by VPCL over the assets of Pro9 Global Ltd was released subsequent to year end.

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 14. 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 - 2020				
<i>Assets</i>				
Ordinary shares at fair value through profit or loss	-	500,000	-	500,000
Total Assets	-	500,000	-	500,000
Consolidated - 2019				
<i>Assets</i>				
Ordinary shares at fair value through profit or loss	-	900,000	-	900,000
Total assets	-	900,000	-	900,000

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.

VPCL Limited
Notes to the financial statements
30 June 2020

Note 15. 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	
	2020	2019
	\$	\$
Short-term employee benefits	251,000	519,139
Post-employment benefits	-	10,014
Long-term benefits	-	46,665
	<u>251,000</u>	<u>575,818</u>

Note 16. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by BDO Audit Pty Ltd, the auditor of VPCL Limited:

	Consolidated	
	2020	2019
	\$	\$
Auditors of the parent entity		
BDO Audit Pty Ltd (formerly – BDO East Coast Partnership)	43,000	15,000
BDO (WA) Audit Pty Ltd	-	14,995
	<u>43,000</u>	<u>29,995</u>

Note 17. 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 18. Commitments

	Consolidated	
	2020	2019
	\$	\$
<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)	<u>-</u>	<u>500,000</u>
<i>Operating Lease Commitments</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year (ii)	-	34,226
After one year but not more than five years	-	-
	<u>-</u>	<u>34,226</u>

VPCL Limited
Notes to the financial statements
30 June 2020

Note 19. Related parties

	Country of Incorporation	Interest 2020	Interest 2019
Parent entity			
VPCL Limited	Australia		
Subsidiaries			
Dash Digital Pty Ltd ATF the Dash Unit Trust	Australia	100%	100%
VPCA 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.

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

Other Transactions with key management personnel and their related parties

For the year ended 30 June 2020, the other transactions with key management personnel included:

- \$30,000 costs charged by Draupner Investments Pty Ltd for Christopher Mews' Company Secretary fees.

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

- \$1,068 costs charged by Draupner Investments Pty Ltd for Christopher Mews' Company Secretary fees.

VPCL Limited
Notes to the financial statements
30 June 2020

Note 20. Parent entity information

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

Financial Performance

	Parent	
	2020	2019
	\$	\$
Profit/(Loss) for the year	883,229	(253,323)
Other comprehensive loss	-	-
Total comprehensive loss	883,229	(253,323)

Financial position

	Parent	
	2020	2019
	\$	\$
Current assets	4,205,563	2,463,492
Non-Current Assets	-	900,000
Total assets	4,205,563	3,363,492
Current liabilities	36,541	77,699
Total liabilities	36,541	77,699
Equity		
Issued capital	33,216,771	33,216,771
Reserves		
- Share based payments	2,320,472	2,320,472
Accumulated losses	(31,368,221)	(32,251,450)
Total equity	4,169,022	3,285,793

VPCL Limited
Notes to the financial statements
30 June 2020

Note 21. Events after the reporting period

In July 2020, VPC sold 100% of its investment in Lumi Financial Holdings Ltd for consideration of \$500,000, which fully recovered the initial capital invested.

In August 2020, the Company reached a deed of settlement with Pro9 Global Ltd in relation to the loan funds (including accrued interest) of \$693,563 owed by Pro 9 Global Ltd to VPC. Under the terms of the deed, the Company accepted a settlement of \$200,000 in cash plus 2.5 million shares in Pro9 Global Ltd. As a result of this settlement, the Company has incurred an impairment loss on the Pro9 loan in the 2020 financial year of \$359,471.

The decision of the Board to realise these assets at below book value was made in context of:

- a) The Company being in early stages of negotiation with an acquisition target;
- b) The Board's view that the value of the VPC listed shell in any acquisition transaction would be maximised by conversion of non-cash assets into cash prior to a transaction being finalised; and
- c) The impact of COVID-19 on the Lumi Financial Holdings Ltd and Pro 9 Global Ltd businesses. This is further discussed at Note 22.

In September 2020, \$200,000 as the cash component of the settlement of the loan repayment was received from Pro 9 Global Ltd.

Formal notification of deregistration of the two subsidiary entities relating to the former LMS and Brand Agency businesses was received from ASIC in July and August 2020 respectively.

Subsequent to the end of the year, the Company has sought regulator in principle approval for an intended business acquisition. As of the date of this report the Board is unable to announce specific details of the proposed transaction.

Note 22. Impact of COVID-19

The COVID-19 pandemic and the associated restrictions in travel and personal meetings had a material impact on the Company's ability to identify and assess potential acquisition targets for the listed corporate entity. This resulted in slower than anticipated progress in negotiations with potential acquisition targets.

COVID-19 also had a material financial impact on two of the Company's investments. Lumi Financial Holdings Ltd was exposed to increased credit risk, which had the potential to materially impact the performance of its loan book. Pro 9 Global Ltd was impacted by restrictions in travel, international logistics and the slow down in the Australian residential construction sector.

While the Board is unable to quantify the financial impact of COVID-19 on these investments, it is likely that:

- a) The Company would have been able to realise its investment in Lumi Financial Holdings Ltd at a higher price in normal economic conditions; and
- b) The impact of COVID-19 has had a material impact on the trading conditions of Pro 9 Global Ltd and the value of its business. As such, the impact of COVID-19 was a key consideration in the determination of the impairment value on the loan to Pro 9 Global Ltd.

Note 23. Earnings per share

There were no options on issue as at 30 June 2020 with potential dilutive effect, therefore diluted earnings per share is equal to basic earnings per share.

	Consolidated	
	2020	2019
	\$	\$
<i>Earnings / (Loss) per share from continuing operations</i>		
Profit / (Loss) after income tax attributable to the owners of VPC Limited	<u>(1,412,482)</u>	<u>(177,851)</u>

VPCL Limited
Notes to the financial statements
30 June 2020

Note 23. Earnings per share (continued)

	Cents	Cents
Basic & diluted earnings per share	(0.12)	(0.02)
	Consolidated	
	2020	2019
	\$	\$
<i>Earnings / (Loss) per share from discontinued operations</i>		
Profit / (Loss) after income tax attributable to the owners of VPC Limited	<u>(1,412,482)</u>	<u>3,087,737</u>
	Cents	Cents
Basic & diluted earnings per share	(0.12)	0.27
	Consolidated	
	2020	2019
	\$	\$
<i>Earnings / (Loss) per share for profit</i>		
Profit / (Loss) after income tax attributable to the owners of VPC Limited	<u>(1,412,482)</u>	<u>2,909,886</u>
	Cents	Cents
Basic & diluted earnings per share	(0.12)	0.25
	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	1,130,846,123
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>1,130,846,123</u>

VPCL Limited
Directors' declaration
30 June 2020

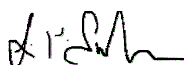
In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2020 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 2020
Melbourne

INDEPENDENT AUDITOR'S REPORT

To the members of VPCL Ltd

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of VPCL Ltd (the Company) and its subsidiaries (the Group), which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the 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 2020 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 (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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 loan receivable from Pro 9 Global Ltd

Key audit matter	How the matter was addressed in our audit
<p>Refer to Note 8 for disclosure of the loan receivable. Refer to Note 21 for events subsequent to the reporting date in relation to loan receivable from Pro 9 Global Ltd ("Pro 9").</p> <p>The consolidated entity has a significant loan receivable at 30 June 2020 consisting of loan amounts advanced during the year to Pro 9 and the interest accrued on the outstanding balance. The loan was advanced under a short term loan agreement. Pro 9 defaulted on the loan which was due for repayment on 31 March 2020. Subsequent to the reporting date, the consolidated entity entered into a settlement deed with Pro 9 and accepted a settlement consisting of \$200,000 in cash and 2.5 million shares in Pro9. The consolidated entity has determined the fair value of the settlement shares to be \$125,000. A loss allowance of \$359,471 has been recognised.</p> <p>The assessment of the loan receivable valuation was significant to our audit because of the level of judgement required when assessing the recoverability of the loan following the default and evaluation of the subsequent settlement terms and value.</p>	<p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> • Reviewing the terms and conditions of the loan agreement, general security deed and the deed of settlement. • Reviewing management's assessment of expected credit loss under the implied approach allowed by AASB 9 <i>Financial Instruments</i>. • Challenging management's assessment of the fair value of the settlement shares in Pro 9. • Re-calculating management's calculation of expected credit loss to confirm its appropriateness considering accrued interest, the cash component and the valuation of the equity interest in Pro9 that were used to settle the loan. • Reviewing the disclosure in relation to the transaction in the financial statements to ensure compliance with AASB 9 <i>Financial Instruments</i>.

Other information

The directors are responsible for the other information. The other information comprises the information contained in the Group's annual report for the year ended 30 June 2020, 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 identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Responsibilities of the directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has 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 (<http://www.auasb.gov.au/Home.aspx>) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 5 to 10 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of VPCL Ltd, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

BDO Audit Pty Ltd

A handwritten signature in black ink that reads 'Tim Fairclough'. Above the signature, the letters 'BDO' are handwritten in a larger, stylized font.

Tim Fairclough
Director

Melbourne, 30 September 2020

VPCL Limited
Shareholder information
30 June 2020

The shareholder information set out below was applicable as at 28 September 2020.

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
	<u>1369</u>
Holding less than a marketable parcel	<u>692</u>

Equity security holders

Twenty largest quoted equity security holders

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

	Ordinary shares % of total shares issued
Number held	
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
	<u>463,966,274 41.01</u>

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	-	-

VPCL Limited
Shareholder information
30 June 2020

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares	% of total
	Number held	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.