



**Vortex Pipes Limited**

ABN 80 096 870 978

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22nd July 2011

The Manager  
Companies Announcements Office  
ASX Limited  
20 Bridge Street  
Sydney NSW 2000

**ASX Announcement**  
**Half Year Report for the Year Ended December 2010**

Please find attached the Company's Half Year Financial Report for the year ended 31 December 2010.

In accordance with our previous announcements, the Company intends to continue to lodge all outstanding periodic reports as soon as possible.

Yours sincerely

A handwritten signature in blue ink, appearing to read "T Gosatti", written over a faint circular stamp.

Trevor Gosatti  
Managing Director

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***Vortex***

# **Vortex Pipes Limited**

ACN 096 870 978

**FINANCIAL REPORT**

**FOR THE HALF YEAR ENDED  
31 DECEMBER 2010**

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**VORTEX PIPES LIMITED**

**FINANCIAL REPORT  
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2010 and any public announcements made by Vortex Pipes Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

## **VORTEX PIPES LIMITED**

### **CORPORATE DIRECTORY**

#### **Directors**

Mark Bernard Jenkins (Chairman)  
Trevor Adriano Gosatti  
John Townley Phillips  
Santino Di Giacomo

#### **Company Secretary**

Trevor Adriano Gosatti

#### **Registered Office**

Unit 6, 110 Inspiration Drive  
Wangara  
Western Australia 6065

Postal address: PO Box 1166  
Wangara  
Western Australia 6947

Telephone: 08 9302 5151  
Facsimile: 08 9302 5076  
Email: [trevor.gosatti@vortexpipes.com](mailto:trevor.gosatti@vortexpipes.com)  
Website: [www.vortexpipes.com](http://www.vortexpipes.com)

#### **Auditors**

Crowe Horwath  
Level 6  
256 St Georges Terrace  
Perth  
Western Australia 6000

#### **Patent Attorney**

Wray & Associates  
Level 4  
1 William Street  
Perth  
Western Australia 6000

#### **Bankers**

Bank of Western Australia Ltd  
108 St Georges Terrace  
Perth  
Western Australia 6000

National Australia Bank  
226 Main Street  
Osborne Park  
Western Australia 6017

## DIRECTORS' REPORT

The Directors present their report together with the consolidated financial report for the half-year ended 31 December 2010 and the auditor's review report thereon.

### Directors

The Directors of the Company during the half-year and up to the date of this report are:

Mr Mark Bernard Jenkins – Chairman  
Mr Trevor Adriano Gosatti  
Mr John Townley Phillips  
Mr Santino Di Giacomo

### Results

The loss for the consolidated entity for the half-year was \$154,127 (2009: loss \$1,203,529) after income tax benefit of \$Nil (2009: \$Nil).

### Review of Operations

The half-year to 31 December 2010 continued to be a difficult period for Vortex Pipes Limited. The Company continued to look for funding opportunities to allow the continuation of the business. The Company has focussed on reducing liabilities and seeking new capital. It entered into negotiations and due diligence reviews with several parties, however none of these transactions had yet transpired.

During the period the Company did sell assets predominately relating to the relining business within Premium Pipe Services to reduce liabilities.

The Directors are confident of getting the Company back to an operational status and having its suspension on ASX lifted in the near future. It retains the principle asset in the Shieldliner technology for future potential opportunities.

### Subsequent Events

On 28 February 2011 the Company repaid the Convertible Loan Notes of \$100,000.

In relation to amounts owing to Alinta Asset Management at 31 December 2010 of \$303,827 - subsequently a deed of release of debt was signed on 7 April 2011 between the parties, agreeing to release Vortex from \$258,646 of the total debt, provided Vortex pays the balance of \$50,000 (GST excl).

On 1<sup>st</sup> July 2011 the Company announced that it had executed an agreement with Carmichael Corporate Pty Ltd to refinance the Company. The refinancing is intended to restore balance sheet strength and provide sufficient funding to allow Vortex to carry on its business.

The refinancing of Vortex includes a placement in 3 tranches of a combination of fully paid ordinary shares in the Company ("Shares") and secured loans convertible into shares to raise \$1,673,551.

Funds raised pursuant to the placement will be used to:

- repay a convertible note to the value of approximately \$100,000;
- complete an En Globo settlement payment to creditors of \$650,000; and
- provide working capital.

In addition, the Company's liabilities to Vortex Directors or their associates, and other nominated parties, in total approximately \$682,000, has been settled in full by either the issue of 100,000,000 Secured Convertible Loan Notes or payment of \$100,000,

This transaction will settle previous liabilities and provide the pathway for the Company to exploit its existing Shieldliner asset and to look at further opportunities.

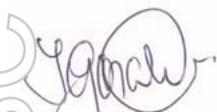
## Auditor's Independence Declaration

A copy of the auditors' independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 4.

This report is presented in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



MB Jenkins  
Director



TA Gosatti  
Director

Perth  
21 July 2011

**AUDITOR'S INDEPENDENCE DECLARATION**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Vortex Pipes Limited for the half-year ended 31 December 2010, I declare that, to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

CROWE HORWATH PERTH



CYRUS PATELL  
Partner

Perth, WA

Dated this 21<sup>st</sup> day of July 2011

**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE MEMBERS OF VORTEX PIPES LIMITED AND ITS CONTROLLED ENTITIES**

**REPORT ON THE HALF-YEAR FINANCIAL REPORT**

We have reviewed the accompanying half-year financial report of Vortex Pipes Limited and its controlled entities ('the consolidated entity'), which comprises the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, statement of accounting policies, other selected explanatory notes and the directors' declaration.

**Directors' responsibility for the half-year financial report**

The directors of the consolidated entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditor's responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with the Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Vortex Pipes Limited and its controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

**Independence**

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

**Conclusion**

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

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

**Emphasis of Matter**

We draw attention to Note 2 of the half-year financial report which describes the uncertainty related to the consolidated entity's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

CROWE HORWATH PERTH



CYRUS PATELL  
Partner

Perth, WA  
Dated this 21<sup>st</sup> day of July 2011

**VORTEX PIPES LIMITED**

**DIRECTORS' DECLARATION**

**FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

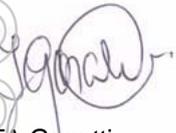
The Directors of Vortex Pipes Limited declare that:

1. the financial statements and accompanying notes, as set out on pages 7 to 13 are in accordance with the Corporations Act 2001, and:
  - (a) comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Act 2001; and
  - (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date;
2. in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for on behalf of the Directors by:



MB Jenkins  
Director



TA Gosatti  
Director

Perth  
21 July 2011

VORTEX PIPES LIMITED ABN 80 096 870 978 AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
For the half-year ended 31 December 2010

	Note	Half-year ended 31 Dec 2010 \$	Half-year ended 31 Dec 2009 \$
Revenue from sale of goods and services		6,113	200,149
Interest revenue		216	-
Profit on disposal of non-current assets		100,907	-
Cost of sales of goods		(6,446)	(117,389)
Change in inventories and work in progress		-	(63,370)
Research and development costs, materials and consultants		(151)	(39,216)
Core technology, patent costs and intangibles amortisation		-	(14,894)
Directors' fees, salaries, superannuation and consulting costs		(81,200)	(289,986)
Staff wages, salaries and superannuation			(423,865)
Depreciation expense		(45,204)	(102,453)
Public company costs, fees, share registry, shareholder costs		(17,222)	(58,421)
Occupancy costs		(10,364)	(76,602)
Legal fees		(1,850)	(14,416)
Audit fees		1,238	(30,263)
Insurances		(22,022)	(48,443)
Interest expense		(68,469)	(31,647)
Provision for doubtful debts			(3,034)
Other expenses from ordinary activities		(9,673)	(89,679)
		<u>(160,240)</u>	<u>(1,403,678)</u>
Loss before income tax		(154,127)	(1,203,529)
Income tax (expense)/benefit		-	-
Net loss for the period		(154,127)	(1,203,529)
Other comprehensive income		-	-
<b>Loss attributable to members of Vortex Pipes Limited</b>		<u>(154,127)</u>	<u>(1,203,529)</u>
Basic loss per share (cents per share)		(0.17)	(1.39)
Diluted loss per share (cents per share)		<u>(0.17)</u>	<u>(1.39)</u>

The financial statements should be read in conjunction with the accompanying notes.

VORTEX PIPES LIMITED ABN 80 096 870 978 AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
As at 31 December 2010

	Note	31 Dec 2010 \$	30 June 2010 \$
<b>Current Assets</b>			
Cash and cash equivalents		20,116	10,292
Trade and other receivables		34,703	9,376
Assets classified as held for sale	3	-	436,766
<b>Total Current Assets</b>		<u>54,819</u>	<u>456,434</u>
<b>Non-Current Assets</b>			
Plant and equipment		<u>156,392</u>	<u>211,929</u>
<b>Total Non-Current Assets</b>		<u>156,392</u>	<u>211,929</u>
<b>Total Assets</b>		<u>211,211</u>	<u>668,363</u>
<b>Current Liabilities</b>			
Trade and other payables		1,337,984	1,412,958
Financial liabilities	4	<u>722,671</u>	<u>950,722</u>
<b>Total Current Liabilities</b>		<u>2,060,655</u>	<u>2,363,680</u>
<b>Total Liabilities</b>		<u>2,060,655</u>	<u>2,363,680</u>
<b>Net (Deficiency)/Assets</b>		<u>(1,849,444)</u>	<u>(1,695,317)</u>
<b>Equity</b>			
Issued capital		7,357,286	7,357,286
Option Reserve		121,374	121,374
Accumulated Losses		<u>(9,328,104)</u>	<u>(9,173,977)</u>
<b>Total Equity/(Deficiency)</b>		<u>(1,849,444)</u>	<u>(1,695,317)</u>

The financial statements should be read in conjunction with the accompanying notes.

VORTEX PIPES LIMITED ABN 80 096 870 978 AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
For the half year ended 31 December 2010

	Share Capital \$	Option Reserve \$	Accumulated Losses \$	Total \$
Balance at 30 June 2009	6,921,628	121,374	(7,656,019)	(613,017)
Shares issued – 14,521,959 shares at 3 cents each	435,658	-	-	435,658
Loss attributable to members of the Company	-	-	(1,203,529)	(1,203,529)
<b>Balance at 31 December 2009</b>	<b>7,357,286</b>	<b>121,374</b>	<b>(8,859,548)</b>	<b>(1,380,888)</b>
Balance at 30 June 2010	7,357,286	121,374	(9,173,977)	(1,695,317)
Loss attributable to members of the Company	-	-	(154,127)	(154,127)
<b>Balance at 31 December 2010</b>	<b>7,357,286</b>	<b>121,374</b>	<b>(9,328,104)</b>	<b>(1,849,444)</b>

The financial statements should be read in conjunction with the accompanying notes.

VORTEX PIPES LIMITED ABN 80 096 870 978 AND CONTROLLED ENTITIES

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
For the half year ended 31 December 2010

	Note	Half-year ended 31 Dec 2010 \$	Half-year ended 31 Dec 2009 \$
<b>Cash Flows from Operating Activities</b>			
Receipts from customers		1,533	148,840
Payments to suppliers and employees		(242,691)	(854,857)
Interest received		216	92
Interest paid		(33,939)	(15,964)
Net cash provided by/(used in) operating activities		<u>(274,881)</u>	<u>(721,889)</u>
<b>Cash Flows from Investing Activities</b>			
Purchase of plant and equipment		-	(7,463)
Proceeds on disposal of plant and equipment		523,206	-
Net cash provided by/(used in) investing activities		<u>523,206</u>	<u>(7,463)</u>
<b>Cash Flows from Financing Activities</b>			
Proceeds from issues of shares		-	435,658
Loans from related parties		-	94,649
Proceeds from borrowings		100,000	247,132
Repayment of borrowings		(338,501)	(53,687)
Net cash provided by financing activities		<u>(238,501)</u>	<u>723,752</u>
<b>Net Increase/ (Decrease) In Cash Held</b>		9,824	(5,600)
Cash at the beginning of the period		10,292	10,948
Cash at the end of the period		<u><u>20,116</u></u>	<u><u>5,348</u></u>

The financial statements should be read in conjunction with the accompanying notes.

# VORTEX PIPES LIMITED ABN 80 096 870 978 AND CONTROLLED ENTITIES

## NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 31 December 2010

### 1. Reporting Entity

Vortex Pipes Limited (the "Company") is a company domiciled in Australia. The consolidated interim financial report as at and for the six months ended 31 December 2010 covers the consolidated group of Vortex Pipes Limited and its subsidiaries (together referred to as the "consolidated entity" or "Group").

### 2. Basis of preparation of half-year report

#### Statement of compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Act 2001. The consolidated interim financial report has been prepared on the accruals basis and on an historical cost basis

This interim financial report does not include all the notes of the type normally included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements. Accordingly, this financial report is to be read in conjunction with the annual financial statements for the year ended 30 June 2010 and any public announcements made by Vortex Pipes Limited during the interim reporting period in accordance with the continuous disclosure requirements arising under the Corporations Act 2001.

The same accounting policies and methods of computation have generally been applied in these half-year financial statements as compared with the most recent annual financial statements.

#### Going concern

The consolidated statement of financial position at 31 December 2010 reflects a net liability position of \$1,849,444 and an operating loss of \$154,127 after tax for the half-year ended 31 December 2010. The financial statements have been prepared on a going concern basis which contemplates the realisation of assets and extinguishment of liabilities in the ordinary course of business. The Group presently has no significant sources of operating income and relies on equity contributions and cooperation of creditors and lenders to continue as a going concern.

Since 31 December 2010 the Group has been able to further reduce trade and other payables, partly through negotiations with creditors. All asset carrying values have been adjusted for impairment where necessary. The Directors are confident in the ability of the Group to successfully raise sufficient funding to continue as a going concern and continue to pay its debts as and when they fall due.

If the Group is not able to raise additional finance, the going concern basis may not be appropriate and as a result the Group may have to realise its assets and extinguish its liabilities other than in the ordinary course of business and at amounts different from those stated in the financial report. No allowance for such circumstances has been made in the financial report.

### 3. Assets classified as held for sale

The items of plant and equipment classified as "held-for-sale" assets at 30 June 2010 were disposed of during the half-year. A deposit of \$60,000 had been received in the year ended 30 June 2010 and the balance of the sale proceeds of \$458,000 (excluding GST) were received during the half-year to 31 December 2010.

	31 Dec 2010	30 June 2010
	\$	\$
	-	436,766

VORTEX PIPES LIMITED ABN 80 096 870 978 AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 31 December 2010

	31 Dec 2010 \$	30 June 2010 \$
<b>4. Financial liabilities</b>		
<b>Current – secured</b>		
Hire purchase loans – due within one year	72,538	411,039
<b>Current – unsecured</b>		
Alinta Asset Management (2) Pty Ltd (a)	303,827	293,946
London Wall Investments Pty Ltd (b)	95,737	95,737
Noble Syndicate (c)	80,000	80,000
Centurion Securities and Investment Services Pty Ltd (d)	50,000	50,000
J T Phillips (e)	20,000	20,000
Ascot Securities (f)	100,569	-
	<b>722,671</b>	<b>950,722</b>

**(a) Alinta Asset Management (2) Pty Ltd**

The unsecured loan bears interest at 8% p.a. (2009 – 8% p.a.). This loan was originally repayable on 31 December 2007 and was subsequently extended until a negotiated settlement occurred in April 2011. Refer Note 5 for further details.

**(b) London Wall Investments Pty Ltd**

The amounts loaned by London Wall Pty Ltd, a company associated with Mr M B Jenkins, are unsecured, interest-free and of no fixed term.

**(c) Noble Syndicate**

This loan has no fixed repayment term and is interest free.

**(d) Centurion Securities and Investment Services Pty Ltd**

The amount recorded represents funds received pursuant to an agreement with Centurion for the proposed issue of a convertible note. The matter is in dispute and the subject of ongoing negotiations.

**(e) J T Phillips**

The loan from Mr J T Phillips, a director, is unsecured, interest-free and of no fixed term. No repayments have been made on the loan.

**(f) Ascot Securities**

The Convertible Loan Notes are unsecured and bear interest at 10% p.a. The ability of the lender to convert the loan to equity is contingent on shareholder approval and the attainment of a number of other conditions. The Notes are otherwise repayable on 28 February 2011. Refer Note 5 for further details.

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## VORTEX PIPES LIMITED ABN 80 096 870 978 AND CONTROLLED ENTITIES

### NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 31 December 2010

#### 5. Events occurring after reporting date

On 28 February 2011 the Company repaid the Convertible Loan Notes of \$100,000.

In relation to amounts owing to Alinta Asset Management at 31 December 2010 of \$303,827 - subsequently a deed of release of debt was signed on 7 April 2011 between the parties, agreeing to release Vortex from \$258,646 of the total debt, provided Vortex pays the balance of \$50,000 (GST excl).

On 1<sup>st</sup> July 2011 the Company announced that it had executed an agreement with Carmichael Corporate Pty Ltd to refinance the Company. The refinancing is intended to restore balance sheet strength and provide sufficient funding to allow Vortex to carry on its business.

The refinancing of Vortex includes a placement in 3 tranches of a combination of fully paid ordinary shares in the Company ("Shares") and secured loans convertible into shares to raise \$1,673,551.

Funds raised pursuant to the placement will be used to:

- o repay a convertible note to the value of approximately \$100,000;
- o complete an En Globo settlement payment to creditors of \$650,000; and
- o provide working capital.

In addition, the Company's liabilities to Vortex Directors or their associates, and other nominated parties, in total approximately \$682,000, has been settled in full by either the issue of 100,000,000 Secured Convertible Loan Notes or payment of \$100,000,

This transaction will settle previous liabilities and provide the pathway for the Company to exploit its existing Shieldliner asset and to look at further opportunities.

#### 6. Contingent Liabilities

There has been no change to contingent liabilities since the last annual reporting date.

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