Vortiv Ltd

ABN 98 057 335 672

APPENDIX 4E – Preliminary Final Report

	Year ended 31 March 2020 $000	Year ended 31 March 2019 $000	$ Change	% Change
Revenues from ordinary activities	11,533	5,821	5,712	98
Profit (loss) from ordinary activities after tax attributable to members	2,975	48	2,927	6,097
Net profit (loss) for the year attributable to members	2,586	48	2,538	5,287

No dividends have been paid or provided for during the year

The Group's principal activity during the year was the operations of Decipher Works Pty Ltd, a cyber security specialist and Cloudten Industries Pty Ltd, a cloud and cloud security specialist. The company continues to hold a minority interest in TSI India and to seek other business opportunities.

The Group recorded an after-tax profit for the year of $2,586,666 (2019: $47,540). The profit is mainly attributable to increased revenue from both Decipher Works and Cloudten offset with normal operating activities.

At the end of the year the overseas assets of the Group are converted to Australian dollars at the prevailing rates of exchange. For accounting purposes, a foreign currency translation reserve credit adjustment of $3,867 (2019: $3,729) was recognised against those assets as a result of movement in those exchange rates during the year.

At the end of the year the carrying value of the Groups investment in TSI India is reviewed and translated to Australian dollars at the spot rate of exchange and any movement over the year is taken to the FVOCI reserve. The valuation of TSI India as at 31 March 2020 has not yet been complete. Consequently, the movement for the year has not yet been determined (2019: $5,560,000)

The Company is continuing to look for and review other investment opportunities to enhance shareholder value.

On 30 March 2020, shareholders approved a share consolidation on the basis of every 20 shares consolidated into 1 share. The consolidation of securities was effective from 3 April 2020 and completed on 17 April 2020.

	31 March 2020	31 March 2019
Number of Securities pre-consolidation	2,789,180,264	2,412,400,843
Number of Securities post-consolidation	139,459,013	120,620,042
Net tangible assets per security post-consolidation (cents)	8.0	4.4

1 CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 March 2020 $000	Year ended 31 March 2019 $000
Continuing operations			
Revenue from contracts with customers		11,421	5,801
Finance income		10	20
Other income		102	-
Revenue		**11,533**	**5,821**
Cost of sales		(2,668)	(802)
Gross profit		**8,865**	**5,019**
Employee benefits expenses		(6,443)	(3,593)
Professional services		(382)	(384)
Research & development		(177)	(75)
Business Acquisition costs		4	(119)
Due diligence		-	(42)
Depreciation expenses		(38)	(16)
Depreciation of right of use assets	11	(92)	-
Finance costs		(94)	(100)
Share based payments		(19)	(90)
Fair value adjustment on contingent consideration		420	-
Other expenses		(643)	(552)
Profit before tax from continuing operations		**1,401**	**48**
Income tax benefit	8	1,574	-
Profit after tax from continuing operations		**2,975**	**48**
Loss from discontinued operations	12	(389)	-
Profit for the period		**2,586**	**48**
Other comprehensive income/(loss)			
Items that may be subsequently reclassified to profit or loss:			
Foreign currency movement in translation of foreign operations		(4)	(4)
Exchange difference on translation of discontinued operation		(14)	-
Movement in fair value of financial assets designated at fair value through other comprehensive income	7	-	(5,560)
Other comprehensive income/(loss) for the period		(18)	(5,564)
Total comprehensive income/(loss) for the period attributable to members		**2,568**	**(5,516)**
Earnings/(Loss) per share post-consolidation			
Basic earnings/(loss) per share from continuing operations (cents per share)		2.3	0.04
Diluted earnings/(loss) per share from continuing operations (cents per share)		2.3	0.04
Basic earnings/(loss) per share from discontinued operations (cents per share)		(0.3)	-
Diluted earnings/(loss) per share from discontinued operations (cents per share)		(0.3)	-

2 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 Mar 2020 $000	31 Mar 2019 $000
ASSETS			
Current Assets			
Cash and cash equivalents		1,054	2,411
Trade and other receivables		2,068	1,495
Contract assets		217	-
Prepayments		94	69
Total Current Assets		**3,433**	**3,975**
Non-current Assets			
Financial assets at fair value through other comprehensive income (FVOCI)	7	9,780	9,780
Deferred tax asset	8	1,574	-
Plant & equipment		109	87
Right of use asset		57	-
Goodwill	9	10,945	10,945
Total Non-current Assets		**22,465**	**20,812**
TOTAL ASSETS		**25,898**	**24,787**
LIABILITIES			
Current Liabilities			
Payable to Cloudten Vendors		27	5,403
Trade and other payables	10	1,550	853
Contract liabilities		581	-
Provisions		199	467
Lease liabilities	11	56	-
Convertible note		737	747
Total Current Liabilities		**3,150**	**7,470**
Non-Current Liabilities			
Payable to Cloudten Vendors		646	1,093
Lease liabilities	11	-	-
Total Non-Current Liabilities		**646**	**1,093**
TOTAL LIABILITIES		**3,796**	**8,563**
NET ASSETS		**22,102**	**16,224**
EQUITY			
Contributed equity		41,789	38,498
Reserves		4,635	4,664
Accumulated losses	6	(24,322)	(26,938)
TOTAL EQUITY		**22,102**	**16,224**

3 CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended 31 Mar 2020 $000	Year ended 31 Mar 2019 $000
Cash flows from operating activities			
Receipt from customers		11,198	6,108
Payments to employees		(6,372)	(3,499)
Payments to suppliers		(3,159)	(1,709)
Payments for research & development		(176)	(67)
Income taxes received/(paid)		168	(168)
Interest received		4	20
Net cash inflow/(outflow) from operating activities		**1,663**	**685**
Cash flows from investing activities			
Net cash inflow/(outflow) on acquisition of business		(5,596)	(1,577)
Net cash inflow/(outflow) on discontinued operations		(443)	-
Payment for plant & equipment		(61)	(34)
Net cash inflow/(outflow) from investing activities		**(6,100)**	**(1,611)**
Cash flows from financing activities			
Proceeds from issue of shares		2,000	2,025
Proceeds from exercise of options		1,393	-
Repayment of convertible notes		(98)	-
Share issue costs		(101)	(173)
Principal elements of lease payments		(89)	-
Net cash inflow/(outflow) from financing activities		**3,105**	**1,852**
Net increase/(decrease) during the period		**(1,332)**	**926**
Cash and cash equivalents at the beginning of the period		2,411	1,490
Effect of exchange rate movements on foreign currencies		(25)	(5)
Cash and cash equivalents at the end of the period		**1,054**	**2,411**

4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Contributed equity	Convertible note reserve	Foreign currency translation reserve	FVOCI reserve	Share- based payment reserve	Accumulated losses	Total equity
	$000	$000	$000	$000	$000	$000	$000
Balance at 1 April 2018	**36,644**	**52**	**5**	**10,036**	**590**	**(27,561)**	**19,766**
Net profit/(loss) for the period	-	-	-	-	-	48	48
Total other comprehensive income/(expense)	-	-	(4)	(5,560)	-	-	(5,564)
Total comprehensive income/(expense) for the period	**-**	**-**	**(4)**	**(5,560)**	**-**	**48**	**(5,516)**
Issue of shares	2,025	-	-	-	-	-	2,025
Issue costs	(171)	-	-	-	30	-	(141)
Share based payments	-	-	-	-	90	-	90
Expired options transferred to accumulated losses	-	-	-	-	(575)	575	-
Balance at 31 March 2019	**38,498**	**52**	**1**	**4,476**	**135**	**(26,938)**	**16,224**
Net profit/(loss) for the period	-	-	-	-	-	2,586	2,586
Total other comprehensive income/(expense)	-	-	(18)	-	-	-	(18)
Total comprehensive income/(expense) for the period	**-**	**-**	**(18)**	**-**	**-**	**2,586**	**2,568**
Issue of shares	3,392	-	-	-	-	-	3,392
Issue costs	(101)	-	-	-	-	-	(101)
Share based payments	-	-	-	-	19	-	19
Expired options transferred to accumulated losses	-	-	-	-	(30)	30	-
Balance at 31 March 2020	**41,789**	**52**	**(17)**	**4,476**	**124**	**(24,322)**	**22,102**

5 SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation

The consolidated financial statements comprise the financial statements of Vortiv Limited (Vortiv or the Company) and its controlled entities. The Group has control when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intra-group balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the group and ceases when the Company loses control of the subsidiary. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent has control.

Accounting for subsidiaries in parent financial statements

The investments in subsidiaries are measured at costs less any accumulated impairment.

b) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. At the acquisition date, the identifiable assets acquired, and the liabilities assumed are recognised at their fair value, with limited exceptions. Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred over the fair value of the net identifiable assets acquired is recorded as goodwill. If that amount is less than the fair value of the net identifiable assets, the difference is recognised directly in the profit and loss as a bargain purchase

c) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see note b above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

d) Revenue

Revenue is assessed using the five-step method for recognising revenue from contracts with customers. The five-step method involves consideration of the following:

1. Identifying the contract with the customer
2. Identifying performance obligations
3. Determining the transaction price
4. Allocating the transaction price to distinct performance obligations
5. Recognising revenue

Revenue from contracts with customers

Revenue from contracts with customers consists of IT services providing management, architecture, design, implementation, deployment and managed services support under fixed-price and variable price contracts and sale of software licenses Revenue from providing services is recognised in the accounting period in which the services are rendered. Revenue from the sale of software licenses is recognised at a point in time when the sale occurs or over the license period, usually 12 months.

Interest

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

e) Employee benefits

Employee benefits such as salary and wages are measured at the rate at which the Group expects to settle the liability; and recognised during the period over which the employee services are being rendered.

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

f) Leases

The Group has adopted AASB 16 - *Leases* with effect from 1 April 2019 but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 April 2019.

At the commencement date of a lease, the Group will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). The Group will separately recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short term leases are leases with a lease term of 12 months or less. Low-value assets comprise of office equipment.

g) Income tax

Deferred tax

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for the financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised except where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

h) Other taxes

Revenues, expenses and assets are recognised net of the amount of indirect taxes except:

- where the taxes incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case those taxes are recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of taxes included.

The net amount of taxes recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the indirect tax component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authorities are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of indirect taxes recoverable from, or payable to, the taxation authority.

i) Earnings per share

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

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.

The weighted average number of shares outstanding during the reporting period represents the equity structure of the legal parent, i.e. Vortiv Limited.

j) Financial instruments

Financial instruments are recognised when the Group becomes party to the contractual provisions of the instrument. The de-recognition of a financial instrument takes place when the Group no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

The financial instruments of the group comprise of (i) cash and cash equivalents; (ii) trade and other receivables; (iii) loans and receivables; and (iv) trade and other payables.

k) Share-based payments

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of valuation techniques. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of shares that will eventually vest.

l) Issued capital

Issued and paid up capital are recognised at the consideration received by the Group.

Expenses (including the tax effect) incurred directly in relation to the issue of the equity instruments are deducted from equity.

m) Financial assets at fair value through other comprehensive income (FVOCI)

The investments in equity instruments that are neither held for trading nor contingent consideration recognised by the Group in a business combination to which AASB 3 "Business combination" applies, are measured at fair value through other comprehensive income, where an irrevocable election has been made by management.

Amounts presented in other comprehensive income are not subsequently transferred to profit or loss. Dividends on such investments are recognised in profit or loss unless the dividend clearly represents a recovery of par of the cost of the investment.

6 ACCUMULATED LOSSES

	31 March 2020 $000	31 March 2019 $000
Accumulated losses		
Balance at beginning of year	26,938	27,561
Profit for the year	(2,587)	(48)
Expired options transferred to accumulated losses	(30)	(575)
Balance at end of the year	24,321	26,938

7 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

	31 March 2020 $000	31 March 2019 $000
24.89% shareholding in TSI India opening balance	9,780	15,340
Movement in fair value of shareholding in TSI India	-	(5,560)
	9,780	9,780

The fair value of investments in TSI India has not been finalised at the time of this report. It will be disclosed in the annual report when released.

8 INCOME TAX BENEFIT AND DEFERRED TAX ASSET

Due to the acquisition of Cloudten, the Company has assessed there will be sufficient taxable profit in the future that can be offset with unused tax losses. The tax losses of $1,574,266 were recognised during the half year ended 30 September 2019 as a deferred tax asset and offset against income tax expense resulting in a tax benefit to the company for the period.

The tax estimate for year ended 31 March 2020 is in the process of being calculated and will be updated in the annual report.

9 GOODWILL

Vortiv acquired 100% of Decipher Works Pty Ltd, a cyber security specialist located in Sydney, NSW on 23 August 2017 for $5.1 million resulting in goodwill of $3.2 million.

Vortiv acquired 100% of Cloudten Industries Pty Ltd, cloud and cloud security business located in Sydney, NSW on 1 February 2018 for $8.6 million resulting in goodwill of $7.7 million.

More detailed information will be provided in the annual report.

10 TRADE AND OTHER PAYABLES

	31 March 2020 $000	31 March 2019 $000
Trade payables	491	590
Licenses payable	506	-
Employee entitlements	553	263
	1,550	853

11 Lease liabilities

As stated in the policies, the Group has adopted AASB 16 - *Leases* with effect from 1 April 2019 but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 April 2019.

At the commencement date of a lease, the Group will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). The Group will separately recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

More detailed information will be provided in the annual report.

12 Loss from discontinued operations

On the 27th of February 2020, the Board announced the closure of the international operations in the United Kingdom and Singapore. The loss from discontinued operations for the year was $388,699.

More detailed information will be provided in the annual report.

13 Foreign entities

The consolidated group includes TSI Investments (Mauritius) Pty Limited, a company incorporated in Mauritius. The financial reports of the foreign entity in the Group have been prepared under International Financial Reporting Standards (IFRS).

14 Events subsequent to the balance date

Subsequent to the balance date a valuation of TSI India is currently underway. Once agreed by the auditors and the board of directors, the results will be updated and disclosed in the annual report when released.

On the 27th of February 2020, the Company announced a Notification of Consolidation/Split. At the General Meeting on the 30th of March 2020, the shareholders approved the consolidation of the issued capital of the Company on the basis that every 20 shares on issue be consolidated into one share and options on issue be adjusted accordingly with effect from 3 April 2020.

No other matters or circumstances have arisen since the end of the year which have significantly affected or may significantly affect the operations or the state of affairs of the Group in the future financial years.

15 Progress of audit

This Appendix 4E is based on a Financial Report that is in the process of being audited.

16 Audit dispute or qualification

None.