

**ASX RELEASE**

# STRONG FY20 GROWTH AMID A GLOBAL PANDEMIC

## VECTION ANNOUNCES PRELIMINARY RESULTS FOR THE YEAR TO 30 JUNE 2020

Real-time software company Vection Technologies Ltd (**ASX:VR1**) (**Vection Technologies, Vection** or the **Company**) has announced its preliminary results for the financial year ended 30 June 2020.

Vection achieved strong triple digit total revenue growth of 131% to \$3.1M for the financial year ended 30 June 2020 with record Underlying EBITDA growth of 120% to \$173,078, despite the challenging COVID-19 lockdowns commenced in Q3 FY20.

**Highlights:**

- **Strong triple digit total revenue growth of 131% to \$3.1M (2019: \$1.4M)**
- **Record Underlying EBITDA growth of 120% to \$173,078 (2019: -\$876,715)**
- **Strong balance sheet with ~\$1.6M cash at bank**
- **Net Assets at 30 June 2020 increased by 52% to ~\$6.1M**
- **Strong 101% increase of Net Cash Inflow from Operating Activities, now positive**

**Gianmarco Biagi, Managing Director of Vection Technologies, commented:**

*"The management team has performed strongly in the challenging COVID-19 environment, highlighting the validity of the Company's long term strategy and of the people within our organisation. During the second half of the financial year, we have successfully adapted to the general market conditions, while implementing critical organisational and financial initiatives to position Vection Technologies for continued growth.*

*The acquisition of Mindesk, during the second half of the financial year, represented a strong value accretive initiative for the benefit of our shareholders, aligned with the Company's long-term overarching strategy within real-time CAD (Computer Aided Design), providing direct access to key proprietary technology, the U.S. market and to critical strategic partners and shareholders.*

*With the emergence of real-time and XR (Extended Reality) technologies as increasingly beneficial solutions for companies, organisation and governments to navigate this challenging time, we have strongly focussed on key commercial initiatives to set the foundations for long-term growth, while carefully transitioning towards a sustainable recurring revenue business model, for the benefit of all our stakeholders.*

*Key market opportunities have arisen within critical sectors, including healthcare, education, tourism and defence, that we confidently believe will provide strong growth during the second half of FY21 and into FY22.*

*The management team of Vection Technologies remains strongly committed to the delivery of its growth strategy, aligned with our goal of achieving 50% Annualised Recurring Revenue (ARR) by June 2022."*

Vection Technologies Ltd (ASX:VR1) ACN: 614 814 041



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**Key full year financial measures compared with the prior corresponding period:**

	Consolidated		
	Change	30 June 20	30 June 19
	+/-	\$	\$
Revenue	131%	3,147,111	1,362,124
Underlying EBITDA <sup>1</sup>	120%	173,078	(876,715)
Cash and cash equivalents	99%	1,584,715	796,569
Net Assets	52%	6,086,090	4,014,440
Cashflow from Operating Activities	101%	15,263	(1,518,923)

<sup>1</sup> Underlying EBITDA is an unaudited, non-AIFRS financial measure which is not prescribed by Australian Accounting Standards ('AAS'). Please refer to the Preliminary Appendix 4E dated 31 August 2020 for additional information.

**Investor Presentation and Call:**

Vection's management will host a conference call on 1 September 2020 at 11.00 AEST to discuss the investor presentation (slides to be released separately to the market) and to provide an update of the Company's business strategy and financial performance.

Participants must register in advance for the investor call using the following link to receive dial-in details:

[https://zoom.us/webinar/register/WN\\_-Bt\\_bcPaQm2QrB2qzal8kA](https://zoom.us/webinar/register/WN_-Bt_bcPaQm2QrB2qzal8kA)

After registering, you will receive a confirmation email containing information about joining the webinar.



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### Investor Relations Contact Details

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ENDS

### About Vection Technologies:

Vection Technologies Ltd (ASX:VR1) is a multinational software company that focuses on real-time technologies for industrial companies' digital transformation.

Through a combination of our 3D, Virtual Reality, Augmented Reality, Industrial IoT and CAD solutions, Vection Technologies helps companies and organisations to innovate, collaborate and create value.

For more information please visit the Company's websites:

[vection.com.au](http://vection.com.au)

[mindeskvr.com](http://mindeskvr.com)

*ASX release authorised by the Board of Directors of Vection Technologies Ltd.*



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# APPENDIX 4E

## Preliminary Final Report to the Australian Securities Exchange

Rule 4.3A

Name of entity:	Vection Technologies Limited (formerly known as Servtech Global Holdings Limited)
ABN or equivalent company reference:	93 614 814 041

**1. Reporting Period**

Preliminary report for the financial year ended	30 June 2020
Previous corresponding period is the financial year ended	30 June 2019

**2. Results for announcement to the market**

				\$'000
Revenues from ordinary activities (item 2.1)	up	130%	to	2,895
Loss from ordinary activities after tax attributable to members (item 2.2)	up	74%	to	-1,166
Loss for the period attributable to members (item 2.3)	up	74%	to	-1,166

<b>Dividends</b> (item 2.4)	<b>Amount per security</b>	<b>Franked amount per security</b>
Interim dividend	Nil	Nil
Final dividend	Nil	Nil
Record date for determining entitlements to the dividend (item 2.5)	Not Applicable	

Brief explanation of any of the figures reported above necessary to enable the figures to be understood (item 2.6): Refer to item 12.



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### 3. Statement of profit or loss and other comprehensive income

Refer to attached unaudited Preliminary Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2020.

### 4. Statement of financial position

Refer to attached unaudited Preliminary Consolidated Statement of Financial Position as at 30 June 2020.

### 5. Statement of Cash flows

Refer to attached unaudited Preliminary Consolidated Statement of Cash flows for the year ended 30 June 2020.

### 6. Statement of changes in equity

Refer to attached unaudited Preliminary Consolidated Statement of Cash flows for the year ended 30 June 2020.

### 7. Dividends

	Date of payment	Total amount of dividend
Interim dividend – year ended 30 June 2020	N/A	N/A
Final dividend – year ended 30 June 2020	N/A	N/A

#### Amount per security

	Amount per security	Franked amount per security at % tax	Amount per security of foreign sourced dividend
Total dividend: Current year	N/A	N/A	N/A
Previous year	N/A	N/A	N/A



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**Total dividend on all securities**

	<b>Current period \$A'000</b>	<b>Previous corresponding Period - \$A'000</b>
Ordinary securities <i>(each class separately)</i>	N/A	N/A
Preference securities <i>(each class separately)</i>	N/A	N/A
Other equity instruments <i>(each class separately)</i>	N/A	N/A
<b>Total</b>	N/A	N/A

**8. Details of dividend or distribution reinvestment plans in operation are described below:**

N/A	
The last date(s) for receipt of election notices for participation in the dividend or distribution reinvestment plan	N/A

**9. Net tangible assets per security**

	<b>Current period</b>	<b>Previous corresponding Period</b>
Net tangible asset backing per ordinary security	0.0001	0.0060

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**10. Details of entities over which control has been gained or lost during the period:**
**Control gained over entities**

Name of entities ( <i>item 10.1</i> )	Mindesk Inc and its controlled entity
Date(s) of gain of control ( <i>item 10.2</i> )	29 April 2020
Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period ( <i>item 10.3</i> )	-\$87,875

**Loss of control of entities**

Name of entities ( <i>item 10.4</i> )	N/A
Date(s) of loss of control ( <i>item 10.5</i> )	N/A
Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities to the date(s) in the current period when control was lost ( <i>item 10.6</i> ).	N/A
Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period ( <i>item 10.7</i> )	N/A

**11. Details of associates and joint venture entities**

Name of associate or joint venture entity ( <i>item 11.1</i> )	% Securities held ( <i>item 11.2</i> )
N/A	N/A
Aggregate share of profits (losses) of associates and joint venture entities ( <i>item 11.3</i> )	



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<b>Group's share of associates' and joint venture entities':</b>	<b>2020 \$</b>	<b>2019 \$</b>
Profit (loss) from ordinary activities before tax	N/A	N/A
Income tax on ordinary activities	N/A	N/A
<b>Net profit (loss) from ordinary activities after tax</b>	<b>N/A</b>	<b>N/A</b>
Adjustments	N/A	N/A
<b>Share of net profit (loss) of associates and JV entities</b>	<b>N/A</b>	<b>N/A</b>

## Review of Operations

Real-time software company Vection Technologies Limited (**ASX:VR1**) (**Vection Technologies, Vection** or the **Company**) reports the following for the Financial Year ended 30 June 2020:

### Overview

Vection Technologies achieved triple digit revenue growth, expanded its Underlying EBITDA and significantly improved its overall financial performance in the financial year ended 30 June 2020, despite the challenging global COVID-19 pandemic commencing in Q3 FY20.

### Financial highlights include:

- **FY20 Total Revenue increased by 131% compared to FY19**
- **FY20 Underlying EBITDA increased by 120% compared to FY19**
- **Total Assets at 30 June 2020 increased by 131% compared to 30 June 2019**
- **Net Assets at 30 June 2020 increased by 52% compared to 30 June 2019**
- **Cash and Cash Equivalents at 30 June 2020 increased by 99% compared to 30 June 2019**
- **FY20 Net Cash inflow from Operating Activities increased by 101% compared to FY19**
- **FY20 Net Cash inflow from Investing Activities increased by 606% compared to FY19**
- **FY20 Net Cash inflow from Financing Activities decreased by 79% compared to FY19**

FY20 Total Revenue was a record \$3,147,111 (2019: \$1,362,124) with record FY20 Underlying EBITDA of \$173,078 (2019: -\$876,715)

Vection's balance sheet is strong, ending the year with a cash balance of \$1,584,715 (2019: \$796,569). The Company's management is strategically focused on ensuring a continued strong cash position across all international subsidiaries to secure a robust framework for future growth during and following this uncertain time, for value creation for all of its stakeholders.



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Total Assets at 30 June 2020 were \$13,684,548 (2019: \$5,933,805) while Net Assets were \$6,086,090 (2019: \$4,014,440).

The Company reported a Net Cash Inflow from Operating activities of \$15,263 in FY20, compared to a Net Cash Outflow of -\$1,518,923 in FY19.

Net Cash Inflow from Investing activities increased to \$366,078 from -\$72,388 in FY19, stating the positive strong financial impact of the Mindesk acquisition completed on 29 April 2020. Mindesk is the developer of the first Software as a Service (**SaaS**) real-time 3D design platform that combines Computer Aided Design (**CAD**) with Virtual Reality (**VR**) and graphic engines.

As part of the Mindesk acquisition, the Company also welcomed global institutional shareholders including HTC, the Italian Government (via its innovation fund CDP Ventures), Primomiglio SGR and A11 Ventures SGR.

Net Cash Inflow from Financing activities decreased to \$393,420 representing a sharp decrease from 1,871,963 in FY19, as part of the Company's overall increased ordinary commercial activities and the implementation of the Company's smart capital strategy.

Vection Technologies posted an after-tax loss attributed to members of \$1,163,637 for the financial year ended 30 June 2020, representing a decrease of 74% over the prior corresponding period (30 June 2019: loss \$4,502,612). Several non-cash and one-off expenses were recorded in the Company's accounts during the period, specifically for legacy assets related expenses and for costs incurred pursuant to the acquisition of Mindesk.

	Full Year Ended		
	Change	30-Jun-20	30-Jun-19
	+/-	\$	\$
<b>Profit (Loss) after Income Tax</b>	<b>74%</b>	<b>(1,163,637)</b>	<b>(4,502,612)</b>
Interest and Financing related Costs		94,385	38,217
Depreciation and Amortisation		507,851	146,249
One-Off Transaction Costs		513,294	321,548
Non-Cash Accounting charges		219,522	3,119,883
Income Tax		1,663	-
<b>Underlying EBITDA<sup>1</sup></b>	<b>120%</b>	<b>173,078</b>	<b>(876,715)</b>

<sup>1</sup> Underlying EBITDA is an unaudited, non-AIFRS financial measure which is not prescribed by Australian Accounting Standards ('AAS')



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## Operational Highlights

During the financial year ended 30 June 2020, Vection Technologies strongly progressed its mission to deliver proprietary real-time software to industrial companies enabling the digital transformation of workflows, and continuously delivered on its growth strategy aligned with its three building blocks (Technology, Partnerships and Growth).

### Technology

Vection made significant progress in the development and commercialisation of its 360° SaaS product suite for Industry 4.0, launching multiple software products and solutions:

- **Design & Engineering:** release of Mindesk Suite 2020.1
- **Manufacturing:** continuous development of FrameS 1.7, bringing to market the highly anticipated AR features
- **Training:** development and early commercialisation of FrameS VR training and FrameS Dental
- **Marketing & Sales:** development and commercialisation of the In-Store Fashion and Furniture Configurator, launch of FrameS Events and eHealth app with Compugroup Medical (ETR:COP)
- **Maintenance:** development and early commercialisation of Trainer Creator

across multiple sectors, including: Architecture Engineering and Construction (**AEC**), **Machinery, Automotive, Naval, Fashion & Furniture, Education and Healthcare.**

### Partnerships

Vection progressed and gained access to additional technology and industrial partners, including:

- **OEM Segment:** Logitech, Varjo, HP, HTC Vive, NVIDIA and Intel
- **CAD/CAM/CAE/PLM Software Segment:** Autodesk, Solidworks, McNeel & Associates and Siemens
- **Network Segment:** Epic Games and Microsoft BizSpark
- **Software Segment:** Vodafone
- **Industrial Segment:** MUNER and Bi-Rex

### Growth

Vection achieved significant growth of its partner distribution network, from 2 in FY19 to 46 in FY20:

- **Europe, Middle East and Africa:** 35 Partners
- **Asia-Pacific:** 6 Partners
- **Americas:** 5 Partners

Significant clients during the period included Giorgio Armani, Bonatti, GD Coesia, Compugroup Medical, Heatherwick Studio, Electric80, NSA, V-Shapes and Volvo Car Italy.



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### Organisation & People

Aligned with its growth strategy, Vection further consolidated its sales infrastructure and expanded its operations internationally by appointing Mr Gabriele Sorrento as a Company director and Head of Global Partnerships based in San Francisco (U.S.), Mr Vittorio Bava as Head of SaaS and Mr Paolo Mossa as Sales Vice President Europe.

Furthermore, Vection successfully discontinued its South-East Asian operations and consolidated and relaunched its Indian subcontinent operations to ensure a robust software development framework aligned with its strong focus on recurring revenue generation across the group.

### Financial Strategy

The Company advanced initiatives to access smart capital to secure a stronger cash position across each of the Company's international subsidiaries, including:

- Receipt of ~\$0.6M in research and development (R&D) funding, including fiscal credits.
- Execution of a ~\$3.2M E.U. grant (Horizon 2020 Grant) for the PrismArch project, of which \$0.5M will flow directly to the Company.
- Commercial loans of ~\$0.6M with ~44 months weighted average repayment period and ~4.4% weighted average interest rate per annum.
- Strategic unsecured rolling facility of up to ~\$0.4M, proposed to be expanded as the Company progresses its commercial strategy and platform adoption. The facility advances funds to the Company upon the issue of invoices to clients, based on requirements.
- Smart Capital strategy nearing completion with finalisation of Italian government loan of up to \$2M expected during September quarter (30% non-repayable and 70% repayable after 10 years at nil interest).

### Corporate Overview

Following the approval of Shareholders, the Company completed the acquisition of Mindesk Inc (ASX: 28 April 2020).

In accordance with the terms of the acquisition, the Company issued 165,505,199 fully paid ordinary shares in the capital of the Company and up to 108,000,000 shares as deferred consideration subject to multiple revenue milestones.

### Explanation of loss

The Company's loss for the year of \$1,163,637 (2019: loss of \$4,502,612) is largely attributed to depreciation and amortisation non-cash expenses (\$507,851) and one-off transaction costs attributable to the acquisition of Mindesk and several one-off costs relating to legacy assets (\$513,294).

As the Company progresses its overarching growth strategy, it expects to continue to improve its underlying full financial year results.



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### Cash Position

Cash at the end of the year was ~\$1,584,715. The Company had significant receivables outstanding at 30 June 2020 of ~\$2,129,666.

### Outlook

During 1H FY21, Vection Technologies' objectives will be:

- Strong focus on advancing the Company's solutions across the healthcare, education and automotive sectors and entry into new verticals including the defence industry.
- Accelerating the North American and Australian market development.
- Continued growth in the European market segment.
- Executing commercial partnerships with existing and new Tier-1 global technology companies.
- Focus on development of the existing technology suite, with renewed emphasis on cloud and LAN collaboration.
- Integration of Mindesk suite with leading CAD and BIM software.
- Launching new products and third-parties software integrations towards the stated objective of building a 360° product suite.
- Further expanding and consolidating the global sales infrastructure and footprint to further advance the global client outreach.
- Strong acceleration of recurring revenue sales initiatives aligned with the Company's goal to achieve 50% Annualised Recurring Revenue (ARR) by June 2022.
- Finalisation of smart capital initiatives and pursue of continued growth from a position of financial strength.



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**13. The financial information provided in the Appendix 4E is based on the preliminary financial report (attached), which has been prepared in accordance with Australian accounting standards.**

**14. Commentary on the results for the period.**

Refer to explanation item 12.

**15. Information on Audit**

This Appendix 4E and Preliminary Final Report is based on financial statements which are in the process of being audited.

**16. Audit Opinion.**

This report is based on accounts that are in the process of being audited, and are unlikely to be subject to dispute or qualification.



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# VECTION TECHNOLOGIES LIMITED

## ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2020 CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Consolidated	
		30 June 20	30 June 19
		\$	\$
<b>Revenue</b>			
Revenue	2	3,147,111	1,362,124
<b>Expenses</b>			
Acquisition Costs		-	155,625
Employee benefits expense	3	1,807,079	974,922
Consulting and professional fees		817,773	608,559
Finance costs		66,311	32,262
Depreciation and amortisation		507,851	146,249
Impairment		115,158	3,084,659
Other expenses	3	890,551	825,560
Share based payments		104,362	36,900
<b>Total Expenditure</b>		<b>4,309,085</b>	<b>5,864,736</b>
<b>Loss before income tax expense</b>		<b>(1,161,974)</b>	<b>(4,502,612)</b>
Income tax expense		1,663	-
<b>Loss after income tax attributable to equity holders</b>		<b>(1,163,637)</b>	<b>(4,502,612)</b>
<b>Discontinued Operations</b>			
Profit (loss) for the year after income tax from discontinued operations		(2,230)	82,510
<b>Loss after income tax attributable to equity holders of Vection Technologies Limited</b>		<b>(1,165,867)</b>	<b>(4,420,102)</b>
<b>Other comprehensive loss</b>			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		154,060	2,163
<b>Total comprehensive loss for the period</b>		<b>154,060</b>	<b>2,163</b>
<b>Total comprehensive loss attributable to equity holders of Vection Technologies Limited</b>		<b>(1,011,807)</b>	<b>(4,417,939)</b>
<b>Loss per share for the year attributable to the members of Vection Technologies Limited</b>			
Discontinued operations profit (loss) per share for the year (per share)		-	0.028
Continuing operations loss per share for the year (per share)		(0.203)	(1.540)
Overall basic loss per share		(0.203)	(1.512)
Overall diluted loss per share		(0.203)	(1.512)

# VECTION TECHNOLOGIES LIMITED

## ANNUAL REPORT AS AT 30 JUNE 2020 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Consolidated	
		30 June 20	30 June 19
		\$	\$
<b>Current Assets</b>			
Cash and cash equivalents	4,6	1,584,715	796,569
Receivables	5,6	2,129,666	1,457,990
<b>Total Current Assets</b>		<b>3,714,381</b>	<b>2,254,559</b>
<b>Non-Current Assets</b>			
Property, plant & equipment	6	76,859	90,075
Intangible assets	6	9,841,178	3,589,171
Intangible assets		52,130	-
<b>Total Non-Current Assets</b>		<b>9,970,167</b>	<b>3,679,246</b>
<b>Total Assets</b>		<b>13,684,548</b>	<b>5,933,805</b>
<b>Current Liabilities</b>			
Trade and other payables	6	2,728,770	967,959
Provisions	7	865,353	246,085
Interest bearing liabilities		393,420	-
<b>Total Current Liabilities</b>		<b>3,987,543</b>	<b>1,214,044</b>
<b>Non-Current Liabilities</b>			
Deferred tax liability		604,233	-
Provisions	7	3,006,682	705,321
<b>Total Non-Current Liabilities</b>		<b>3,610,915</b>	<b>705,321</b>
<b>Total Liabilities</b>		<b>7,598,458</b>	<b>1,919,365</b>
<b>Net Assets/(Liabilities)</b>		<b>6,086,090</b>	<b>4,014,440</b>
<b>Equity</b>			
Issued capital		22,376,991	19,397,897
Reserves		257,580	271,657
Accumulated losses		(16,548,481)	(15,655,114)
<b>Total Equity / (Deficiency in Equity)</b>		<b>6,086,090</b>	<b>4,014,440</b>

# VECTION TECHNOLOGIES LIMITED

## ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2020 CONSOLIDATED STATEMENT OF CASH FLOWS

	Consolidated	
	30 June 20	30 June 19
	\$	\$
<b>Cash flows from operating activities</b>		
Receipts from customers	2,348,403	1,450,452
Payments to suppliers and employees	(2,266,860)	(2,914,459)
Interest received	517	440
Interest paid / Finance costs	(57,846)	(39,710)
Tax incentives/ (Tax paid)	(8,952)	(15,646)
<b>Net cash inflow (outflow) from operating activities</b>	<b>15,263</b>	<b>(1,518,923)</b>
<b>Cash flows from investing activities</b>		
Purchase of plant and equipment	(79,446)	(49,729)
Purchase of subsidiary (net cash acquired)	1,137,866	(324,412)
Proceeds from sale of/ (Payments for) intangible assets	(693,593)	56,154
Proceeds (Payments) for disposal of discontinued operations	-	245,599
Proceeds from sale of investment	1,251	-
<b>Net cash inflow (outflow) from investing activities</b>	<b>366,078</b>	<b>(72,388)</b>
<b>Cash flow from financing activities</b>		
Proceeds from issues of fully paid shares	-	2,000,000
Payment of transaction costs	-	(128,037)
Proceeds from borrowings	486,819	-
Prepayment of borrowings	(93,400)	-
<b>Net cash inflow (outflow) from financing activities</b>	<b>393,420</b>	<b>1,871,963</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>774,760</b>	<b>280,652</b>
Cash and cash equivalents at the beginning of the financial year	796,569	513,754
Effect of movement in exchange rates on cash held	13,386	2,163
<b>Cash and cash equivalents at the end of the financial year</b>	<b>1,584,715</b>	<b>796,569</b>



# VECTION TECHNOLOGIES LIMITED

## ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2020 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Consolidated				
	Issued Capital	Accumulated Losses	Reserves	Foreign Currency Translation Reserve	Total
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2019</b>	19,397,897	(15,655,114)	272,500	(843)	4,014,440
Loss for the period	-	(1,165,867)	-	-	(1,165,867)
Other comprehensive (loss)/ income	-	-	-	154,060	154,060
Total comprehensive loss for the period	-	(1,165,867)	-	154,060	(1,011,807)
<b>Transactions with owners in their capacity as owners</b>					
Share based payments	-	-	104,363	-	104,363
Expiry of options	-	272,500	(272,500)	-	-
Issue of share capital	2,979,094	-	-	-	2,979,094
<b>Balance at 30 June 2020</b>	<b>22,376,991</b>	<b>(16,548,481)</b>	<b>104,363</b>	<b>153,217</b>	<b>6,086,090</b>
<b>Balance at 1 July 2018</b>	10,44,332	(11,235,012)	272,500	(3,006)	(561,186)
Loss for the period	-	(4,420,102)	-	-	(4,420,102)
Other comprehensive (loss)/ income	-	-	-	2,163	2,163
Total comprehensive loss for the period	-	(4,420,102)	-	2,163	(4,417,939)
<b>Transactions with owners in their capacity as owners</b>					
Share based payments	36,900	-	-	-	36,900
Issue of share capital	8,956,665	-	-	-	8,956,665
<b>Balance at 30 June 2019</b>	<b>19,397,897</b>	<b>(15,655,114)</b>	<b>272,500</b>	<b>(843)</b>	<b>4,014,440</b>

## NOTE 1: BASIS OF PREPARATION OF THE FINAL REPORT

### BASIS OF PREPARATION

This preliminary final report for the year ended 30 June 2020 relates to the consolidated entity consisting of Vection Technologies Limited (formerly known as Servtech Global Holdings Ltd) ("Vection Technologies", "Vection" or "the Group") and its controlled entities.

The preliminary final report has been prepared on an accruals basis and a historical cost basis except for certain current and non-current assets and financial instruments which are measured at fair value or where otherwise stated.

Cost is based on the fair value of consideration given in exchange for assets.

This preliminary final report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual financial report of the year ended 30 June 2020 and any public announcements made by Vection during the year in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The amounts contained in this preliminary final report are presented in Australian dollars, the functional currency of the consolidated entity.

### STATEMENT OF COMPLIANCE

The preliminary final report is a general-purpose financial report and has been prepared in accordance with applicable Australian Accounting Standards, other pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001. The preliminary final report is also in compliance with ASX listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E. Australian Accounting Standards include Australian equivalents of International Reporting Standards ("AIFRS").

## NOTE 2: REVENUE

The following is an analysis of the Group's revenue for the year.

	30 June 20	30 June 19
	\$	\$
<b>REVENUE</b>		
Software technology development services	2,123,879	539,509
Outsourced services	423,000	457,409
Interest received	16,857	21,374
R&D Tax refund	160,653	149,442
Foreign exchange gain	91,767	-
Other revenue	330,955	194,390
<b>TOTAL REVENUE</b>	<b>3,147,111</b>	<b>1,362,124</b>

### NOTE 3: EXPENSES

#### EMPLOYEE BENEFITS

	30 June 20 \$	30 June 19 \$
Director Fees	480,750	248,358
Staff Wages & Amenities	1,326,329	726,564
<b>TOTAL EMPLOYEE BENEFITS</b>	<b>1,807,079</b>	<b>974,922</b>

#### OTHER EXPENSES

	30 June 20 \$	30 June 19 \$
Advertising & Marketing expense	180,130	116,222
Rent	129,526	283,622
Administration expense	580,895	425,716
<b>TOTAL CONSULTING AND PROFESSIONAL FEES</b>	<b>890,551</b>	<b>825,560</b>

### NOTE 4: CASH AND CASH EQUIVALENTS

	30 June 20 \$	30 June 19 \$
Cash and bank balances	1,584,715	796,569
<b>RECONCILIATION TO CONSOLIDATED STATEMENT OF CASHFLOWS:</b>		
Balances as above	1,584,715	796,569
Bank overdraft	-	-
<b>BALANCES PER STATEMENT OF CASHFLOWS</b>	<b>1,584,715</b>	<b>796,569</b>

### NOTE 5: TRADE AND OTHER RECEIVABLES

	30 June 20 \$	30 June 19 \$
Trade and other receivables	2,121,149	1,028,212
Trade and other receivables from sale of business	35,583	514,250
Provision for doubtful debts	(32,971)	(100,058)
	<b>2,123,761</b>	<b>1,442,404</b>
Prepayments	5,905	15,586
	<b>2,129,666</b>	<b>1,457,990</b>

## NOTE 6: ACQUISITION OF MINDESK

On 29 April 2020, the Group completed the acquisition of 100% of the issued capital and voting rights in Mindesk Inc ("Mindesk").

### (a) Acquisition Consideration

The consideration for the acquisition comprised the issue to the Vection vendors of:

- 165,505,199 fully paid ordinary shares to the Mindesk vendors
- up to 108,000,000 shares as deferred consideration to the Mindesk vendors

Under the principles of AASB 3, the assets and liabilities of Mindesk are measured at fair value on the date of acquisition.

### (b) Goodwill

Goodwill is calculated as the difference between the fair value of consideration transferred less the fair value of the identified net assets of Mindesk. Details of the transaction are as follows:

	Fair Value \$
<b>Consideration</b>	
165,505,199 fully paid ordinary shares	2,979,094
108,000,000 performance rights	3,280,000
<b>Total consideration</b>	<b>6,259,094</b>
Fair value of assets and liabilities at acquisition date:	
Cash	1,137,866
Trade and other receivables	25,936
Property, plant and equipment	10,646
Software	2,307,269
Trade and other payables	(810,310)
<b>Fair value of identifiable assets and liabilities acquired</b>	<b>2,671,407</b>
Consideration paid	6,259,094
Less: Fair value of identifiable assets and liabilities assumed	(2,671,407)
<b>Provisional assessment of goodwill</b>	<b>3,587,687</b>

## NOTE 7: PROVISIONS

	30 June 20 \$	30 June 19 \$
Provision for onerous lease commitments - Current	94,322	246,085
Provision for contingent consideration - Current	771,031	-
	<b>94,322</b>	<b>246,085</b>
Provision for onerous lease commitments - Non-current	487,713	705,321
Provision for contingent consideration - Non-Current	2,518,969	-
	<b>487,713</b>	<b>705,321</b>

## NOTE 8: SEGMENT REPORTING

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors. During the year the Group's executive directors examine the Group's performance from a core operations perspective and have identified two reportable segments of its continuing business, being IT development and outsourced services.

## NOTE 9: SUBSEQUENT EVENTS

There were no matters or circumstances arising since the end of the reporting period that have significantly affected, or may significantly affect the operations of the Company and the results of those operations or the state of the affairs of the Company in the financial period subsequent to 30 June 2020.

*ASX release authorised by the Board of Directors of Vection Technologies Ltd.*