Vortiv Ltd

ABN 98 057 335 672

APPENDIX 4E – Preliminary Final Report

	Year ended 31 March 2021 $000	Year ended 31 March 2020 $000	$ Change	% Change
Revenues from ordinary activities	99	4	95	2,375
Profit (loss) from ordinary activities after tax attributable to members	(470)	(673)	203	(30)
Profit/(loss) from discontinued operations	10,875	2,949	7,926	269
Net profit (loss) for the year attributable to members	10,405	2,276	8,129	357

On the 11th of March 2021 Vortiv announced the payment of a fully franked dividend of 5.55 cents per share with a record date of 17 March 2021 to be paid on the 9th of April 2021. The dividend has been provided for during the year.

On the 19th of April 2021, the shareholders approved an equal capital reduction of 10.0 cents per share with a record date of 23 April 2021 to be paid on the 30th of April.

The Group's principal activity during the year was the operations of Decipher Works Pty Ltd (DWX), a cyber security specialist and Cloudten Industries Pty Ltd (C10), a cloud and cloud security specialist. On the 22nd of October 2020, Vortiv announced the proposed sale of both DWX and C10 to CyberCX Pty Ltd for $25 million. The sale was complete effective the 16th of December 2020. The gain on sale is reported in the discontinued operation note 12. The prior year reflects both operations as discontinued for comparative purposes.

The company continues to hold a minority interest in TSI India. At the end of the year the carrying value of the Group's 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 2021 has not yet been completed. Consequently, the movement for the year has not yet been determined (2020: decrease $4,250,000).

The Group recorded an after-tax profit for the year of $10,405,437 (2020: $2,276,690). The profit is mainly attributable to the sale of DWX and C10.

	31 March 2021	31 March 2020
Number of Securities	140,524,363	139,459,013
Net tangible assets per security (cents)	14.5	4.7

1 CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 March 2021 $000	Year ended 31 March 2020 $000
Continuing operations			
Finance income		19	4
Other income		80	-
Revenue		**99**	**4**
Employee benefits expenses		(530)	(504)
Professional services		(365)	(179)
Research & development		-	(84)
Depreciation expenses		(1)	(2)
Depreciation of right of use assets		(54)	(88)
Finance costs		(11)	-
Share based payments		-	(19)
Fair value adjustment on contingent consideration		473	420
Other expenses		(81)	(221)
Loss before tax from continuing operations		**(470)**	**(673)**
Income tax benefit/(expense)		-	-
Loss after tax from continuing operations		**(470)**	**(673)**
Profit from discontinued operations	11	10,875	2,949
Profit for the period		**10,405**	**2,276**
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	-	(4,250)
Other comprehensive income/(loss) for the period		4	(4,268)
Total comprehensive income/(loss) for the period attributable to members		**10,409**	**(1,992)**
Earnings/(Loss) per share post-consolidation			
Basic earnings/(loss) per share from continuing operations (cents per share)		(0.4)	(0.5)
Diluted earnings/(loss) per share from continuing operations (cents per share)		(0.4)	(0.5)
Basic earnings/(loss) per share from continuing and discontinued operations (cents per share)		8.0	1.8
Diluted earnings/(loss) per share from continuing and discontinued operations (cents per share)		8.0	1.8

2 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 Mar 2021 $000	31 Mar 2020 $000
ASSETS			
Current Assets			
Cash and cash equivalents		22,709	1,054
Trade and other receivables		124	2,068
Contract assets		7	217
Income tax receivable		37	-
Prepayments		7	94
Total Current Assets		**22,884**	**3,433**
Non-current Assets			
Financial assets at fair value through other comprehensive income (FVOCI)	7	5,530	5,530
Deferred tax asset	8	-	1,264
Plant & equipment		2	109
Right of use asset		-	57
Goodwill	9	-	10,945
Total Non-current Assets		**5,532**	**17,905**
TOTAL ASSETS		**28,416**	**21,338**
LIABILITIES			
Current Liabilities			
Payable to Cloudten Vendors		-	27
Trade and other payables	10	265	1,606
Contract liabilities		-	581
Lease liabilities		-	56
Dividend payable	13	7,799	-
Convertible note		-	737
Total Current Liabilities		**8,064**	**3,007**
Non-Current Liabilities			
Payable to Cloudten Vendors		-	646
Provisions		-	143
Total Non-Current Liabilities		**-**	**789**
TOTAL LIABILITIES		**8,064**	**3,796**
NET ASSETS		**20,352**	**17,542**
EQUITY			
Contributed equity		41,989	41,789
Reserves		232	385
Accumulated losses	6	(21,869)	(24,632)
TOTAL EQUITY		**20,352**	**17,542**

3 CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended 31 Mar 2021 $000	Year ended 31 Mar 2020 $000
Cash flows from operating activities			
Receipt from customers		11,201	11,274
Payments to employees		(6,157)	(6,882)
Payments to suppliers		(4,542)	(3,167)
Payments for research & development		49	(177)
Income taxes (paid)/received		(2,003)	168
Interest received		20	4
Net cash inflow/(outflow) from operating activities		**(1,432)**	**1,220**
Cash flows from investing activities			
Net cash inflow/(outflow) on sale/acquisition of business		24,007	(5,596)
Payment for plant & equipment		(81)	(61)
Net cash inflow/(outflow) from investing activities		**23,926**	**(5,657)**
Cash flows from financing activities			
Proceeds from issue of shares		-	2,000
Proceeds from exercise of options		-	1,393
Repayment of convertible notes		(722)	(98)
Share issue costs		-	(101)
Principal elements of lease payments		(111)	(89)
Net cash inflow/(outflow) from financing activities		**(833)**	**3,105**
Net increase/(decrease) during the period		**21,661**	**(1,332)**
Cash and cash equivalents at the beginning of the period		1,054	2,411
Effect of exchange rate movements on foreign currencies		(6)	(25)
Cash and cash equivalents at the end of the period		**22,709**	**1,054**

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 2019	**38,498**	**52**	**1**	**4,476**	**135**	**(26,938)**	**16,224**
Net profit/(loss) for the period	-	-	-	-	-	2,276	2,276
Total other comprehensive income/(expense)	-	-	(18)	(4,250)	-	-	(4,268)
Total comprehensive income/(expense) for the period	**-**	**-**	**(18)**	**(4,250)**	**-**	**2,276**	**(1,992)**
Issue of shares	3,513	-	-	-	-	-	3,513
Issue costs	(222)	-	-	-	-	-	(222)
Share based payments	-	-	-	-	19	-	19
Expired options transferred to accumulated losses	-	-	-	-	(30)	30	-
Balance at 31 March 2020	**41,789**	**52**	**(17)**	**226**	**124**	**(24,632)**	**17,542**
Net profit/(loss) for the period	-	-	-	-	-	10,405	10,405
Total other comprehensive income/(expense)	-	-	4	-	-	-	4
Total comprehensive income/(expense) for the period	**-**	**-**	**4**	**-**	**-**	**10,405**	**10,409**
Issue of shares	200	-	-	-	-	-	200
Convertible note repaid	-	(52)	-	-	-	52	-
Dividend payable	-	-	-	-	-	(7,799)	(7,799)
Expired options transferred to accumulated losses	-	-	-	-	(105)	105	-
Balance at 31 March 2021	**41,989**	**-**	**(13)**	**226**	**19**	**(21,869)**	**20,352**

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

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 2020 $000
Accumulated losses		
Balance at beginning of year	24,632	26,938
Profit for the year	(10,405)	(2,276)
Convertible notes repaid	(52)	-
Dividend payable	7,799	-
Expired options transferred to accumulated losses	(105)	(30)
Balance at end of the year	21,869	24,632

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

	31 March 2021 $000	31 March 2020 $000
24.89% shareholding in TSI India opening balance	5,530	9,780
Movement in fair value of shareholding in TSI India	-	(4,250)
	5,530	5,530

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 sale of DWX and C10, the Company offset the gain on sale with unused tax losses and the remaining deferred tax assets are now unrecognised. See Note 11 for tax related to the profit on the sale of the businesses and discontinued operations.

The tax estimate for year ended 31 March 2021 will be disclosed 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, a cloud and cloud security business located in Sydney, NSW on 1 February 2018 for $8.8 million including contingent consideration of $200,000 of shares issued resulting in goodwill of $7.8 million.

Both businesses were sold effective 16 December 2020 for $25 million to CyberCX. See Note 11.

10 TRADE AND OTHER PAYABLES

	31 March 2021 $000	31 March 2020 $000
Trade payables	229	737
Employee entitlements	34	609
Other payables	2	260
	265	1,606

11 DISCONTINUED OPERATIONS

On the 27th of February 2020, the Board announced the closure of the international operations in the United Kingdom and Singapore.

Effective 16 December 2020, Vortiv sold DWX and C10 for $25 million to CyberCX.

	Year ended 31 Mar 2021 $000	Year ended 31 Mar 2020 $000
Profit for the year from discontinued operations		
Revenue	10,227	11,764
Expenses	(9,022)	(10,079)
Profit before tax	1,205	1,685
Attributable income tax benefit/(expense)	-	1,264
Profit after income tax of discontinued operations	1,205	2,949
Gain on sale of subsidiary after income tax	9,670	-
Profit from discontinued operations	10,875	2,949
Exchange differences on translation of discontinued operations	-	-
Profit for the year from discontinued operations	10,875	2,949
Consideration received or receivable:		
Cash	25,311	
Business sale costs	(1,354)	
Carrying amount of net assets sold	(11,056)	
Gain on sale before income tax	12,901	
Income tax	(3,231)	
Gain on sale of subsidiaries after income tax	9,670	
Cash flows from discontinued operations		
Net cash inflows from operating activities	164	2,785
Net cash outflows from investing activities (outflows to parent office)	(732)	(503)
Net cash outflows from financing activities	(30)	(89)
Effect of exchange rate movements	(10)	(6)
Net cash inflows/(outflows)	(608)	2,187

12 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).

13 DIVIDEND PAYABLE

On the 11th of March 2021 Vortiv announced the payment of a fully franked dividend of 5.55 cents per share to the holders of ordinary fully paid shares (140,524,363) on record date of 17 March 2021 to be paid to shareholders on the 9th of April 2021. The total dividend paid was $7.8 million.

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 19th of April 2021, the shareholders approved an equal capital reduction of 10.0 cents per share with a record date of 23 April 2021 to be paid on the 30th of April.

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.