Vortiv Limited

ABN 98 057 335 672

Appendix 4D – 30 September 2019 Half-Year Report

1. Results for Announcement to the Market.

	30 Sep' 2019	30 Sep' 2018	% Change
	$	$	
2.1 Revenue from ordinary activities (excluding interest income)	5,609,357	2,142,349	162%
2.2 Profit/(loss) from continuing operations after tax attributable to members.	2,023,049	70,865	2,755%
2.3 Net profit/(loss) for the period attributable to members.	2,023,049	70,865	2,755%
2.4 Amount per security and franked amount per security of interim dividend.	No interim dividends have been paid or provided for during the period		
2.5 Record date for determining entitlements to the dividends and payment date.	Not applicable		
2.6 Brief explanation of any of the figures in 2.1 to 2.4 necessary to enable the figures to be understood.	See Directors Report – Financial Report for the Half-Year Ended 30 September 2019.		

2. Net Tangible Assets per Security

	30 Sep'2019	30 Sep' 2018
	Cents	Cents
Net tangible assets per security	0.34	0.77

3. Details of Dividend and Distribution Payments

No dividends or distributions have been paid or provided for during the period.

4. Dividend Reinvestment Plans

There are no dividend or distribution reinvestment plans in operation.

5. Associates and Joint Venture Entities

None

6. Foreign Entities

The Group includes the following overseas entity:

TSI Investments (Mauritius) Pty Ltd (Mauritius)
Cloudten Industries Ltd (United Kingdom)
Cloudten Industries Pte Ltd (Singapore)

7. Audit Dispute or Qualification

None.

VORTIV

Interim Financial Report for the Half Year Ended

30 September 2019

CORPORATE DIRECTORY

Directors
Gary Foster – Chairman
Jeffrey Lai – Managing Director
Howard Digby – Non Executive Director
Gregg Taylor – Non Executive Director

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Stock Exchange Listing
ASX Limited
Home Exchange: Perth, Western Australia
Code: VOR

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DIRECTORS' REPORT

The Directors of Vortiv Limited (formerly Transaction Solutions International Limited) present their report on Vortiv Limited ("VOR" or "the Company") and its' subsidiaries ("the Group") for the half-year ended 30 September 2019 ("HY Sep 2019").

DIRECTORS

The Directors of the Company in office during the half-year and until the date of this report are:

Mr Gary Foster

Mr Jeffrey Lai

Mr Howard Digby

Mr Gregg Taylor (appointed 09 October 2019)

Mr Gernot Abl (resigned 31 July 2019)

Unless otherwise shown, all Directors were in office from the beginning of the half-year until the date of this report.

PRINCIPAL ACTIVITIES

The principal activities of the Group during HY Sep 2019 were:

- 100% interest in Decipher Works Pty Ltd's ("DWX") cyber security consulting and managed service business, primarily in identity and access management, to financial institutions, government and large corporations. Their loyal client base provided repeat and recurring revenue stream to the business;
- 100% interest in Cloudten Industries Pty Ltd's ("Cloudten") cloud and cloud security business that assists the government, financial institutions and large corporations migrate, secure and manage their infrastructure in the cloud;
- 24.89% non-controlling interest in Transaction Solutions International (India) Private Limited ("TSI India"), whose business continues to build recurring revenue through the deployment of ATMs on behalf of major banks in India and servicing the financial payments sector through automation of bill payment processes in a market migrating from paper to electronic transactions.

SUMMARY FINANCIAL RESULTS

The Company continues to report positive results for the HY Sep 2019 in all key financial metrics:

- Revenue increased by more than 115% to $5.6 million (compared to $2.6 million in HY Sep 2018);
- Net profit before tax increased to $448,783 (compared to $70,865 in HY Sep 2018);
- Net cash flow from operations increased to $1.4 million (compared to $0.3 million in HY Sep 2018);

- Diluted earnings per share increased to 0.083 cents per share (compared to 0.003 cents per share in HY Sep 2018); and
- Net assets increased to $19.1 million (from $16.2 million as at 31 March 2019).

REVIEW OF OPERATIONS

IT Services

The improvements in all key financial metrics are attributed to the following factors:

- The acquisition of Cloudten in February 2019 resulted in the full consolidation of its financial results to the Group;
- Improvement to DWX's business due to its loyal customer base and deep technical capabilities;
- Contribution from cross-selling and bundling of both DWX's and Cloudten's services; and
- Continued focus on improving operational and cost efficiencies in both businesses.

During the period, the Group has also commenced on a rebranding programme to enable more effective integration between the two businesses. The rebranding programme started with the name change of Transaction Solutions International Limited to Vortiv Limited. Cloudten and DWX will be gradually rebranded to the new brand over the course of the next 1 to 2 years, primarily due to the value and recognition of both brands amongst their loyal customer base.

In addition, the Company continues to review acquisition opportunities to grow its business. The Company targets businesses that have a solid enterprise client base and strong technical capabilities that are complementary to both Cloudten and DWX businesses. The complementary client base and technical capabilities enables the Company to benefit from potential revenue synergies.

Investment in TSI India – 25% equity interest

For the half-year ending 30 September 2019 revenue from operations was higher than the same six-month period ending 30 September 2018. This is offset with an increase in costs primarily related to the Mphasis fixed lease payment, resulting in a lower profit and EBITDA.

TSI India continues to seek recurring revenue as its primary business objective. Other than ATM ownership and management, the business is capturing opportunities in the areas of electronic surveillance where it installs and monitors sites (typically bank ATM sites) through CCTV and charges a monthly fee. Secondly its iPay e-transaction platform business is growing well. iPay allows customers to complete electronic transaction such as domestic money transfers, pay bills and buy airline tickets to name a few services.

TSI India has reported that the overall business has positive operating cash flow for the first half of the year (to 30 September 2019), despite having to incur one-time costs of ATM sites that have been closed due to poor or negative profitability. TSI India management believe that with the consolidation of the ATM network and the extended offerings of e-surveillance and iPay strategies, the Company is well positioned for continued growth.

FINANCIAL POSITION

Cash balances as at 30 September 2019 totalled $1,572,959. Net assets were $19,100,047, which primarily consisted of the investment in TSI India valued at $9,780,000 and Goodwill for DWX and Cloudten was $10,944,862.

During the period, the Company partially completed its $2 million share placement to Bombora Investment Management ($0.8 million) and Regal Funds Management ($1.2 million). The placement was fully completed in early October 2019.

SUBSEQUENT EVENTS AFTER BALANCE DATE

Material events that are subsequent to the balance date are:

- Issued 249,411,765 ordinary shares at an issue price of $0.0085 per share, raising $2 million before costs. $800,000 of proceeds were received prior to 30 September 2019 and have reflected within contributed equity as at 30 September 2019;
- Issued 119,102,950 ordinary shares early November 2019 at an issue price of $0.011 per share, raising $1.3 million before costs from the exercise of options; and
- Paid Tranche 4 on the 29th of October of $1.5 million to the vendors of Cloudten.

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

AUDITOR'S INDEPENDENCE DECLARATION

Auditor's independence declaration under Section 307C of the Corporations Act 2001 is included in page 4 of this financial report.

Signed in accordance with a resolution of Directors pursuant to Section 306(3) of the Corporations Act 2001.

Jeffrey Lai

Jeffrey Lai
Managing Director

Perth, 27 November 2019

Bentleys
THINKING AHEAD

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To the Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

As lead audit partner for the review of the financial statements of Vortiv Limited for the half year ended 30 September 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- any applicable code of professional conduct in relation to the review.

Yours faithfully

BENTLEYS
Chartered Accountants

DOUG BELL CA
Partner

Dated at Perth this 27th day of November 2019

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Vortiv Limited, I state that:

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;

- the attached financial statements and notes thereto give a true and fair view of the Group's financial position as at 30 September 2019 and of its performance for the half-year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to Section 303(5) of the Corporations Act 2001.

On behalf of the Board

Jeffrey Lai

Jeffrey Lai
Managing Director

Perth, 27 November 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2019

	Note	Half Year ended 30 Sep 2019 $	Half Year ended 30 Sep 2018 $
Continuing operations			
Revenue from contracts with customers		4,243,997	2,046,010
Finance income		5,160	4,728
Other income		1,365,360	560,698
Revenue	6	**5,614,517**	**2,611,436**
Cost of sales		(1,417,888)	(464,359)
Gross profit		**4,196,629**	**2,147,077**
Employee benefits expenses		(3,221,907)	(1,576,450)
Research & development		(86,584)	-
Depreciation expenses		(63,419)	(6,236)
Finance costs		(54,120)	(49,983)
Foreign currency gains/(losses)		(5,341)	-
Fair value adjustment on contingent consideration	11	302,000	-
Other expenses		(618,475)	(443,543)
Profit/(Loss) before tax for the period		**448,783**	**70,865**
Income tax benefit	7	1,574,266	-
Profit/(Loss) after tax for the period		**2,023,049**	**70,865**
Other comprehensive income/(loss)			
Items that may be subsequently reclassified to profit or loss:			
Foreign currency movement in translation of foreign operations		(11,188)	(1,193)
Other comprehensive income/(loss) for the period		(11,188)	(1,193)
Total comprehensive income/(loss) for the period attributable to members		**2,011,861**	**69,672**
Earnings/(Loss) per share			
Basic earnings/(loss) per share (cents per share)		0.083	0.003
Diluted earnings/(loss) per share (cents per share)		0.083	0.003

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2019

	Note	30 Sep 2019 $	31 Mar 2019 $
ASSETS			
Current Assets			
Cash and cash equivalents		1,572,959	2,410,544
Trade and other receivables	8	1,632,244	1,495,133
Prepayments		65,494	69,320
Total Current Assets		**3,270,697**	**3,974,997**
Non-current Assets			
Financial assets at fair value through other comprehensive income (FVOCI)	9	9,780,000	9,780,000
Deferred tax asset	7	1,574,266	-
Plant & equipment		107,321	86,671
Right of use asset		102,799	-
Goodwill	10	10,944,862	10,944,862
Total Non-current Assets		**22,509,248**	**20,811,533**
TOTAL ASSETS		**25,779,945**	**24,786,530**
LIABILITIES			
Current Liabilities			
Payable to Cloudten Vendors	11	2,641,908	5,403,378
Trade and other payables	12	1,853,657	852,755
Provisions		554,370	467,204
Lease liabilities		93,930	-
Convertible note		796,900	746,917
Total Current Liabilities		**5,940,765**	**7,470,254**
Non-Current Liabilities			
Payable to Cloudten Vendors	11	731,000	1,093,000
Lease liabilities		8,133	-
Total Non-Current Liabilities		**739,133**	**1,093,000**
TOTAL LIABILITIES		**6,679,898**	**8,563,254**
NET ASSETS		**19,100,047**	**16,223,276**
EQUITY			
Contributed equity	13	39,362,557	38,497,647
Reserves		4,652,914	4,664,102
Accumulated losses		(24,915,424)	(26,938,473)
TOTAL EQUITY		**19,100,047**	**16,223,276**

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 30 SEPTEMBER 2019

	Note	Half Year ended 30 Sep 2019 $	Half Year ended 30 Sep 2018 $
Cash flows from operating activities			
Receipt from customers		6,249,098	2,311,878
Payments to employees		(3,124,900)	(1,545,230)
Payments to suppliers		(1,815,569)	(455,860)
Payments for research & development		(86,584)	-
Income taxes received		167,996	-
Interest received		1,023	1,590
Net cash inflow/(outflow) from operating activities		**1,391,064**	**312,378**
Cash flows from investing activities			
Net cash inflow/(outflow) on acquisition of business		(2,995,600)	-
Payment for plant & equipment		(38,216)	(10,750)
Net cash inflow/(outflow) from investing activities		**(3,033,816)**	**(10,750)**
Cash flows from financing activities			
Proceeds from issue of shares		800,000	-
Proceeds from exercise of options		82,647	-
Share issue costs		(17,737)	(35,829)
Principal elements of lease payments		(43,038)	-
Net cash inflow/(outflow) from financing activities		**821,872**	**(35,829)**
Net increase/(decrease) during the period		**(820,880)**	**265,799**
Cash and cash equivalents at the beginning of the period		2,410,544	1,490,028
Effect of exchange rate movements on foreign currencies		(16,705)	(1,193)
Cash and cash equivalents at the end of the period		**1,572,959**	**1,754,634**

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 30 SEPTEMBER 2019

	Contributed equity	Convertible note reserve	Foreign currency translation reserve	FVOCI reserve	Share- based payment reserve	Accumulated losses	Total equity
	$	$	$	$	$	$	$
Balance at 1 April 2018	**36,643,831**	**51,730**	**5,239**	**10,035,862**	**590,240**	**(27,561,253)**	**19,765,649**
Total comprehensive income/(expense) for the period:							
Net profit/(loss) for the period	-	-	-	-	-	70,865	70,865
Total other comprehensive income/(expense)	-	-	(1,193)	-	-	-	(1,193)
Total comprehensive income/(expense) for the period	-	-	(1,193)	-	-	70,865	69,672
Transactions with equity holders, recorded directly in equity							
Issue of shares for acquisition of business	-	-	-	-	-	-	-
Issue costs	(4,029)	-	-	-	-	-	(4,029)
Total transactions with equity holders	(4,029)	-	-	-	-	-	(4,029)
Balance at 30 September 2018	**36,639,802**	**51,730**	**4,046**	**10,035,862**	**590,240**	**(27,490,388)**	**19,831,292**
Balance at 1 April 2019	**38,497,647**	**51,730**	**1,510**	**4,475,862**	**135,000**	**(26,938,473)**	**16,223,276**
Total comprehensive income/(expense) for the period:							
Net profit/(loss) for the period	-	-	-	-	-	2,023,049	2,023,049
Total other comprehensive income/(expense)	-	-	(11,188)	-	-	-	(11,188)
Total comprehensive income/(expense) for the period	-	-	(11,188)	-	-	2,023,049	2,011,861
Transactions with equity holders, recorded directly in equity							
Issue of shares	882,647	-	-	-	-	-	882,647
Issue costs	(17,737)	-	-	-	-	-	(17,737)
Total transactions with equity holders	864,910	-	-	-	-	-	864,910
Balance at 30 September 2019	**39,362,557**	**51,730**	**(9,678)**	**4,475,862**	**135,000**	**(24,915,424)**	**19,100,047**

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2019

1. REPORTING ENTITY

Vortiv Limited, ("VOR", the "Company") is a company domiciled in Australia. The interim financial report of the Group comprising Vortiv Ltd and its subsidiaries as at and for the six months ended 30 September 2019.

The annual financial report of the Company for the year ended 31 March 2019 is available upon request from the Company's registered office.

2. GOING CONCERN

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Company generated a profit for the period after tax of $2,023,049 (30 September 2018: $70,865) and net cash inflows from operating activities of $1,391,064 (30 September 2018: $312,378) and has a working capital deficit of $2,670,058 as at 30 September 2019 (31 March 2019: $3,495,257). Included in the working capital deficit are current liabilities of unearned income of $858,948.

As disclosed in note 16, subsequent to period end the Company has:

- Issued 249,411,765 ordinary shares at an issue price of $0.0085 per share, raising $2 million before costs. $800,000 proceeds were received prior to 30 September 2019 and have been reflected within contributed equity as at 30 September 2019;
- Issued 119,102,950 ordinary shares at an issue price of $0.011 per share, raising $1.3 million before costs from the exercise of options; and
- Paid Tranche 4 on the 29th of October of $1.5m to the vendors of Cloudten.

The directors have prepared a cash flow forecast, which indicates that the Company will have sufficient cash flows to meet all commitments and working capital requirements for the 12 month period from the date of signing this financial report.

3. ACCOUNTING POLICIES

Basis of preparation

The condensed consolidated interim financial report for the half-year reporting period ended 30 September 2019 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conduction with the annual report for the year ended 31 March 2019 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below:

New and amended standards adopted by the group

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Boards ("AASB") that are mandatory for the current reporting period. The impact from adoption of these Accounting Standards and Interpretations have been assessed below.

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

AASB 16 Leases – impact of adoption

The Group has adopted AASB 16 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.

AASB 16 introduces a new framework for accounting for leases and replaces *AASB 117 Leases* and sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117. At the commencement date of a lease, a lessee 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). Lessees are required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessees' incremental borrowing rate as of 1 April 2019. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 6.5%.

The following table provides a reconciliation of the operating lease commitments disclosed in note 18 to the expected total lease liability to be recognised at 1 April 2019:

	$
Operating lease commitments as at 31 March 2019	93,391
Less: short-term leases included in commitments	34,455
Add: Costs of reasonably certain extension options	94,224
Less: Effect of discounting	8,059
Lease liabilities recognised at 1 April 2019	145,101

	$
Split between:	
Current lease liabilities	92,599
Non-current lease liabilities	52,502
	145,101

Recognise right-of-use assets related to the following types of assets:

	30 Sep 2019 $	1 Apr 2019 $
Properties	102,799	148,652

The impact on the Group Consolidated Income Statement is:

	$
Decrease in operating lease expense	47,175
Increase in finance costs	(4,137)
Increase in Right-of-Use Assets depreciation	(45,853)
Decrease/(increase) in Profit before Tax	(2,815)

The impact on the Group's segment disclosure is:

	IT Services $	Corporate $	Total $
Segment Assets	102,799	-	102,799
Segment Liabilities	102,063	-	102,063

Segment assets and segment liabilities for 30 September 2019 all increased as a result of the change in accounting policy. Lease liabilities are now included in segment liabilities and right of use assets are now included in segment assets. Only the above segments were materially affected by the change in policy.

The change in earnings per share was nil for the six months to 30 September 2019 as a result of the adoption of AASB 16.

Practical expedients applied

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- To measure the right of use asset on transition at an amount equal to the lease liability (as adjusted for prepaid or accrued lease payments);
- Not to recognise low-value or short-term leases on the balance sheet. Costs for these lease arrangements will continue to be expensed;
- To use a single discount rate for a portfolio of leases with reasonably similar characteristics;
- To use hindsight in determining the lease term where lease contracts include options to extend or terminate the lease.

The Group's leasing activities and how these are accounted for

The Group leases office space. Until the 2019 financial year, leases of commercial properties were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The right-of-use asset is depreciated over the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that are based on an index or a rate

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of the lease liability net of any previously recognised onerous lease provisions; and
- Any restoration costs applicable to the lease.

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.

4. COMPONENTS OF THE GROUP

The condensed consolidated financial statements represent the financial position of Vortiv Limited, and the entities it controlled at 30 September 2019 and their financial performance, cash flows and changes in equity for the half year ended on that date.

The consolidated entity comprises the following entities:

		Extent of control		
	Incorporation	30 Sep 2019	31 Mar 2019	30 Sep 2018
Accounting parent				
Vortiv Limited	Australia			
Controlled entities				
Decipher Works Pty Ltd	Australia	100%	100%	100%
Cloudten Industries Pty Ltd	Australia	100%	100%	-
Cloudten Industries Ltd	United Kingdom	100%	100%	-
Cloudten Industries Pte Ltd	Singapore	100%	100%	-
Transaction Solutions International Pty Ltd	Australia	100%	100%	100%
TSI Investments (Mauritius) Pty Ltd	Mauritius	100%	100%	100%

5. SEGMENT REPORTING

The Group operates in 2 segments. One segment, being holder of a minority interest in TSI India. The other being Information Technology (IT) Services though DWX and Cloudten, both wholly owned subsidiaries of VOR.

Revenue from external customers comes from IT services and the sale of software licenses related to cyber security identity and access management (IAM) solutions.

30 Sep 2019	TSI India $	IT Services $	Corporate $	Total $
Revenue from external customers	-	5,609,357	-	5,609,357
Operating expenses	-	(4,885,284)	-	(4,885,284)
Corporate expenses	-	-	(161,970)	(161,970)
Foreign currency gains/(losses)	-	(5,341)	-	(5,341)
EBITDA*	**-**	**718,732**	**(161,970)**	**556,762**

30 Sep 2018	TSI India $	IT Services $	Corporate $	Total $
Revenue from external customers	-	2,142,349	-	2,142,349
Operating expenses	-	(1,560,915)	-	(1,560,915)
Corporate expenses	-	-	(459,078)	(459,078)
Foreign currency gains/(losses)	-	-	-	-
EBITDA*	**-**	**581,434**	**(459,078)**	**122,356**

*EBITDA is defined as earnings before net finance costs, income tax, depreciation and amortisation, acquisition costs, capital gains/losses and equity accounted results from associate companies.

A reconciliation of EBITDA to operating profit before tax for the period is as follows:

	30 Sep 2019	30 Sep 2018
EBITDA	**556,762**	**122,356**
Depreciation & Amortisation	(63,419)	(6,236)
EBIT	**493,343**	**116,120**
Finance income	5,160	4,728
Finance expense	(54,120)	(49,983)
Acquisition costs	4,400	-
Profit/(Loss) before tax	**448,783**	**70,865**
Income tax benefit	1,574,266	-
Profit/(Loss) after tax	**2,023,049**	**70,865**

30 Sep 2019	TSI India $	IT Services $	Corporate $	Total $
Segment assets				
Cash and term deposits	-	631,645	941,314	1,572,959
Trade and other receivables	-	1,619,915	12,329	1,632,244
Prepayments	-	21,419	44,075	65,494
Financial assets	9,780,000	-	-	9,780,000
Goodwill	-	10,944,862	-	10,944,862
Deferred tax asset	-	-	1,574,266	1,574,266
Plant and equipment	-	105,329	1,992	107,321
Right of use assets	-	102,799	-	102,799
Total segment assets	**9,780,000**	**13,425,969**	**2,573,976**	**25,779,945**
Segment liabilities				
Payable to Cloudten Vendors	-	(18,092)	3,391,000	3,372,908
Trade and other payables	-	1,599,071	254,586	1,853,657
Provisions	-	515,169	39,201	554,370
Lease liabilities	-	102,063	-	102,063
Convertible note	-	-	796,900	796,900
Total segment liabilities	**-**	**2,198,211**	**4,481,687**	**6,679,898**
NET SEGMENT ASSETS	**9,780,000**	**11,227,758**	**(1,907,711)**	**19,100,047**

31 Mar 2019	TSI India $	IT Services $	Corporate $	Total $
Segment assets				
Cash and term deposits	-	2,061,694	348,850	2,410,544
Trade and other receivables	-	1,485,900	9,233	1,495,133
Prepayments	-	61,345	7,975	69,320
Financial assets	9,780,000	-	-	9,780,000
Goodwill	-	10,444,862	-	10,444,862
Plant and equipment	-	84,963	1,708	86,671
Total segment assets	9,780,000	14,638,764	367,766	24,786,530
Segment liabilities				
Payable to Cloudten Vendors	-	(196,622)	6,693,000	6,496,378
Trade and other payables	-	589,199	263,556	852,755
Provisions	-	435,688	31,516	467,204
Convertible note	-	-	746,917	746,917
Total segment liabilities	-	828,265	7,734,989	8,563,254
NET SEGMENT ASSETS	**9,780,000**	**13,810,499**	**(7,367,223)**	**16,223,276**

6. REVENUE

	30 Sep 2019 $	30 Sep 2018 $
Revenue from contracts with customers	4,243,997	2,046,010
Finance income	5,160	4,728
Other income	1,365,360	560,698
Revenue	**5,614,517**	**2,611,436**

Revenue from contracts with customers and Other income for the half year ended 30 September 2019 increased due to the acquisition of Cloudten.

7. INCOME TAX BENEFIT and DEFERRED TAX ASET

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 for year ended 31 March 2019 have been 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.

Income tax recognised in profit or loss

	30 Sep 2019 $	31 Mar 2019 $
Deferred tax expense/(income) in respect of current year	(1,574,266)	-

Income tax reconciled to the accounting profit

	30 Sep 2019 $	31 Mar 2019 $
Profit/(loss) for the year from continuing operations	448,783	(47,540)
Income tax using the Australia tax rate of 27.5%	123,415	13,074
Effect of different tax rate in Mauritius of 15.0%	3,643	11,805
Effect of permanent non-deductible items	(82,335)	25,025
Effect of previously unrecognised deferred tax assets now recognised	(1,574,266)	-
Effect of unused tax losses and tax offsets of recognised as deferred tax assets	-	(40,550)
Under recognition in prior year of deferred tax assets not brought to account as future income tax benefits	(44,723)	(9,354)
Tax benefit recognised in the statement of profit or loss and other comprehensive income relating to continuing operations	**(1,574,266)**	**-**

Income tax recognised in other comprehensive income

	30 Sep 2019 $	31 Mar 2019 $
Capital raising costs	12,439	(37,605)

Deferred tax assets and liabilities are attributable to the following:

	30 Sep 2019 $	31 Mar 2019 $
Trade and other payables	11,454	10,175
Business acquisition costs	45,947	64,505
Capital raising cost	37,316	49,754
Employee Entitlements	169,535	147,807
Carried forward tax losses	1,375,901	1,387,753
Deferred tax assets	1,640,153	1,659,994
Trade and other receivables	65,887	-
Deferred tax liabilities	65,887	-
Net tax assets recognised	**1,574,266**	**-**

8. TRADE AND OTHER RECEIVABLES

	30 Sep 2019 $	31 Mar 2019 $
Trade receivables	1,292,635	1,284,021
Work in progress	239,590	88,801
Security deposits	53,324	52,824
Other receivables	46,695	69,487
	1,632,244	**1,495,133**

The average credit period on the sale of goods and services is 30 days. No interest is charged on trade receivables and no expected credit losses have been recognised.

9. FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI) FINANCIAL ASSETS

TSI India Pvt Limited (TSI India) – Fair value methodology

Shares in TSI India are not publicly traded and the directors are not aware of any reliable information regarding independent third-party share transactions to assess the fair value.

The fair value of investments in TSI India is measured on a recurring basis at each reporting date.

The assessment of fair value of those investments is a 'Level 3' hierarchy under AASB 13 '*Fair Value Measurement*'. The measurement of fair value under Level 3 hierarchy is based on significant unobservable inputs.

The directors have obtained an independent expert's valuation report to measure the fair value of the investment at 31 March 2019. The fair value measurement model is based on the Sum–of-parts methodology comprising the following:

- Discounted Cash Flows (DCF) method for valuation of the TSI India business; and
- The value of other assets and liabilities of TSI India

The DCF method estimates the fair value of the business by discounting the future cash flows arising from the business of TSI India. The application of DCF method requires significant assumptions to be made regarding the various inputs. The key assumptions of the existing business are:

- The future cash flows for the period of 4.5 years have been applied;
- At balance date, TSI India's existing ATM networks comprise of 12,954 machines installed and managed for three major Indian banks. There was a reduction of 460 ATMs from last year due to removing lower performing ATMs and a further reduction of 579 ATMs is in the forecast period. The DCF was adjusted accordingly.
- ATM revenue is primarily generated in the form of fee per ATM transaction. This fee varies among the banks and also the location of the ATM machines. A range based on historical averages has been applied.
- The transaction volumes per ATM machines is different for each bank; therefore, the forecast is based on the 2019 average transactions per month by bank, which is between 1,000 to 5,000;
- Transaction volumes at ATM sites have been assumed to increase 4% year on year over the forecast period and no increase is assumed for BillPay, E-surveillance and the new I-Pay service introduced in May of 2018.

- Operating cost assumptions regarding the fixed costs and direct and indirect site expenses have been lowered due to the reduction of ATMs.
- The terminal value of the ATMs at the end of 5 years are computed based on no growth into perpetuity

In addition:

- A pre-tax discount rate of 15% was applied based on the cost of equity using a risk free rate of return of 7.4%, an equity beta of 1.26 and an equity risk premium of 3.5%.
- The inflation rate was assumed at 4.0% based on RBI and TSI India ATM transaction data.

The valuation of the Company's investment in TSI India is predominantly based on prospective financial information. Since forecasts relate to the future, they may be affected by unforeseen events and they depend, in part, on the effectiveness of managements actions in implementing the plans on which the forecasts are based. Accordingly, actual results may vary materially from the forecast.

The Directors have relied upon the 31 March 2019 independent expert valuation report to assess the carrying value at 30 September 2019. The Directors are of the opinion there has been no material change to the investment in the 6-month period and that all assumptions in the valuation remain valid. The directors have resolved to leave the carrying value unchanged.

The directors have concluded that, even though the company has a 24.89% equity interest in TSI India, it does not exert significant influence over the operations of the investee. The reasons are stated below:

- Board representation: VOR has one seat on a Board of 6 directors. The decisions of the Board are taken by a majority vote. TSN has no significant ability to influence decision making at Board level.
- Material transactions: Other than a partial reimbursement of costs which expired in June 2015 there have been no material transactions between VOR and the investee.
- Interchange of Managerial personnel: Other than the involvement of non-executive director, Gary Foster on the Board of the investee there has been no interchange of managerial personnel between VOR and the investee.
- Provision of essential technical information: There has been no provision of essential technical information between VOR and the investee.

10. GOODWILL

Acquisition of Decipher Works Pty Ltd

On 23 August 2017 Vortiv Limited acquired 100% of the voting shares of DWX.

Details of this business combination were disclosed in note 11 of the group's annual financial statements for the year ended 31 March 2019.

Acquisition of Cloudten Industries Pty Ltd

On 01 February 2019 Vortiv Limited acquired 100% of the voting shares of Cloudten.

Details of this business combination were disclosed in note 11 of the group's annual financial statements for the year ended 31 March 2019.

	DWX $	Cloudten $	Total $
Total consideration	5,095,734	9,693,000	14,788,734
Fair value of identifiable net assets acquired	1,932,677	1,911,195	3,843,872
Goodwill arising on acquisition	**3,163,057**	**7,781,805**	**10,944,862**

11. PAYABLE TO CLOUDTEN VENDORS

	Current $	Non-current $
Opening balance at 01 April 2018	-	-
Cash consideration on acquisition of Cloudten	8,600,000	-
Contingent consideration on acquisition of Cloudten	-	1,093,000
Tranche A cash paid on 1 February 2019	(3,000,000)	-
Income tax and other payment made on behalf of Cloudten vendors	(196,622)	-
Balance at 31 March 2019	**5,043.378**	**1,093,000**
Opening balance at 01 April 2019	5,403,378	1,093,000
Paid to Cloudten Vendors	(2,821,470)	-
Fair value adjustment on contingent consideration	-	(302,000)
Movement from non-current to current	60,000	(60,000)
Balance at 30 September 2019	**2,641,908**	**731,000**

12. TRADE AND OTHER PAYABLES

	30 Sep 2019 $	31 Mar 2019 $
Trade payables	744,674	590,285
Unearned income	858,948	-
Employee entitlements	260,035	262,470
	1,853,657	**852,755**

The trading terms with creditors generally provide for 30 days credit.

13. CONTRIBUTED EQUITY

	30 Sep 2019 $	31 Mar 2019 $
Issued and paid up capital		
Ordinary shares	39,362,557	38,497,647
	39,362,557	**38,497,647**

	No.	$
Movement in ordinary shares:		
Opening balance at 01 April 2018	2,126,013,142	36,643,831
Issue of shares for cash	48,181,818	-
Share issue costs	-	(4,029)
Balance at 30 September 2018	**2,174,194,960**	**36,639,802**

	No.	$
Opening balance at 01 April 2019	2,412,400,843	38,497,647
Issue of shares for cash	8,264,706	82,647
Shares to be issued	-	800,000
Share issue costs	-	(17,737)
Balance at 30 September 2019	**2,420,665,549**	**39,362,557**

	No.	$
Movement in unlisted options over ordinary shares:		
Opening balance at 01 April 2018	60,625,004	590,240
Issue of broker's options	5,000,000	-
Issue of investor options	48,181,818	-
Issue of employee options	30,375,000	-
Expired	(60,625,004)	-
Balance at 30 September 2018	**83,556,818**	**590,240**
Opening balance at 01 April 2019	453,865,685	135,000
Options exercised	(8,264,706)	-
Expired	(110,838,244)	-
Balance at 30 September 2019	**334,762,724**	**135,000**

14. RELATED PARTIES

There were no transactions with related parties during the half-year other than salary and fee payments to the directors and key management personnel.

15. DIVIDENDS PAID OR PROVIDED FOR

No dividend has been paid or provided for during the half-year.

16. SUBSEQUENT EVENTS AFTER BALANCE DATE

Material events that are subsequent to the balance date are:

- Issued 249,411,765 ordinary shares at an issue price of $0.0085 per share, raising $2 million before costs. $800,000 of proceeds were received prior to 30 September 2019 and have reflected within contributed equity as at 30 September 2019;

- Issued 119,102,950 ordinary shares early November 2019 at an issue price of $0.011 per share, raising $1.3 million before costs from the exercise of options; and

- Paid Tranche 4 on the 29th of October of $1.5 million to the vendors of Cloudten.

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

17. CONTINGENCIES

The Group has no contingencies at the balance date.

18. COMMITMENTS

The Group has short term operating lease commitments in relation to office premises. The existing commitments in relation to non-cancellable operating leases at reporting dates were:

	30 Sep 2019 $	31 Mar 2019 $
Payable within 1 year	8,328	93,391
Between 1 and 5 years	-	-
Total	**8,328**	**93,391**

Bentleys
THINKING AHEAD

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Independent Auditor's Review Report

To the Members of Vortiv Limited

We have reviewed the accompanying half-year financial report of Vortiv Limited ("the Company") and Controlled Entities ("the Consolidated Entity") which comprises the condensed consolidated statement of financial position as at 30 September 2019, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the Consolidated Entity, comprising the Company and the entities it controlled during the half-year.

Directors Responsibility for the Half-Year Financial Report

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

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 Auditing Standard on Review Engagements ASRE 2410 Review of a 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 30 September 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Consolidated Entity, 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 have 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 Vortiv Limited and 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 30 September 2019 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.

Bentleys

BENTLEYS
Chartered Accountants

DOUG BELL CA
Partner

Dated at Perth this 27th day of November 2019 www.vortiv.com.au