

Vortiv Limited

ABN 98 057 335 672

Appendix 4D – 30 September 2020 Half-Year Report

1. Results for Announcement to the Market.

	30 Sep' 2020	30 Sep' 2019	% Change
	\$000	\$000	
2.1 Revenue from ordinary activities (excluding interest income)	6,782	5,609	21%
2.2 Profit/(loss) from continuing operations after tax attributable to members.	770	2,023	-62%
2.3 Net profit/(loss) for the period attributable to members.	770	2,023	-62%
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 2020.		

2. Net Tangible Assets per Security

	30 Sep'2020	30 Sep' 2019
	Cents	Cents
Net tangible assets per security	5.1	6.7

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

Not applicable

6. Foreign Entities

The Group includes the following overseas entity:

TSI Investments (Mauritius) Pty Ltd (Mauritius)

7. Audit Dispute or Qualification

None.



VORTIV

Interim Financial Report for the Half Year Ended 30 September 2020

ABN 98 057 335 672

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DIRECTORS' REPORT

Your directors of Vortiv Limited ("VOR or the Company") submit herein the interim financial report of the Company for the half year ended 30 September 2020 (HY Sep 2020). To comply with the provisions of the Corporations Act 2001, the Directors' Report is as follows.

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 (resigned 31 August 2020)

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

REVIEW OF OPERATIONS

IT Services

Cloudten and Decipher Works provided strong results for the half year ending 30 September 2020.

Total revenue was \$6.8 million, 21% higher than the same period in 2019. The improvement is primarily contributed to the business's ability to grow its strong customer base, which is underpinned by the deep technical expertise and understanding of the clients' complex IT environment.

Net profit before tax in HY Sep 2020 was \$0.88 million, an increase of 96% from \$0.45 million in HY Sep 2019. The strong increase in profit is attributed to management focus on increasing staff utilisation and average daily rates.

Cloudten's implementation of the first protected grade data lake in AWS for a federal government agency in Australia showcases the unique technical expertise of the team. Decipher Works continues to win new contracts by assisting clients enhance their cyber security by implementing, integrating and managing complex identity and access management solutions.

ATM Managed Services

Vortiv continues to hold its 24.89% investment and non-controlling interest in Transaction Solutions International (India) Private Limited ("TSI India").

During the half-year ending 30 September 2020, TSI India delivered a strong financial performance, with unaudited revenue of \$21.7 million and Underlying EBITDA of \$3.6 million. Within the HY Sep 2020, the September 2020 quarter showed a significant increase in Underlying EBITDA to \$3.2 million compared to the \$0.4 million in the June 2020 quarter.

The table below highlights the significant financial performance improvement delivered in the September 2020 quarter compared to previous quarters.

Unaudited in A\$ million ²	FY19 Qtr average	FY20 Qtr average	Jun 2020 Quarter	Sep 2020 Quarter
Revenue	12.0	11.7	9.4	12.3
Underlying EBITDA ¹	0.43	0.46	0.40	3.2

(1) Underlying EBITDA excludes one-off ATM logistics costs to decommission and dispose of the old ATMs during the upgrade programme. One-off costs amount to \$0.93m in FY20, \$0.05m in Jun 20 quarter and \$0.16m in Sep 20 quarter.

(2) All numbers in AUD million, based on AUD1:INR50 exchange rate

Underlying EBITDA in September 2020 quarter is also significantly higher than the average quarterly result over the last 2 years of \$0.44 million, due to:

- Lower operating and maintenance costs of newer machines generated by a \$28 million ATM replacement programme over the last 18 months;
- Increase in overall transaction fees, effective from the beginning of the September 2020 quarter;
- Retiring and redeploying under-utilised ATMs to more profitable sites; and
- Continued recovery from phased easing of COVID-19 restrictions in India (compared to the June quarter) resulting in higher usage of ATMs as communities came out of lock downs.

As previously announced on 22 June 2020, TSI India invested approximately \$28 million in capital expenditure through external financing to upgrade its ATM network to address security vulnerabilities and comply with the directives from the Reserve Bank of India.

The upgrade programme, which resulted in total value of ATM assets increasing to \$30 million, was funded largely by long term borrowing, resulting in net debt increasing to \$25 million.

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The principal activity of the Company during the year was the operation of Decipher Works Pty Ltd, a cyber security company and Cloudten Industries Pty Ltd, a cloud and cloud security company. In addition, VOR continued to hold a non-controlling interest in TSI India, a business operating a network of bank automated teller machines and bill payment systems in India.

SUMMARY FINANCIAL RESULTS

The Company reports positive results for the HY Sep 2020 in all key financial metrics:

- Revenue increased by 21% to \$6.8 million (compared to \$5.6 million in HY Sep 2019);
- Net profit before tax increased by 96% to \$0.88 million (compared to \$0.45 million in HY Sep 2019);
- Net cash flow from operations increased by 21% to \$1.7 million (compared to \$1.4 million in HY Sep 2019); and
- Net assets increased to \$18.5 million (from \$17.5 million as at 31 March 2020).

FINANCIAL POSITION

Cash balances as at 30 September 2020 totalled \$1.8 million. Net assets were \$18.5 million, which primarily consisted of the investment in TSI India valued at \$5.5 million and Goodwill for DWX and Cloudten was \$10.9 million.

During the period, the Company repaid the convertible notes including interest of \$0.8 million.

SIGNIFICANT EVENTS AFTER BALANCE DATE

On the 22nd of October 2020, the Company announced the proposed sale of Cloudten and Decipher Works (collectively, "Business") for \$25 million to CyberCX, on a cash free and debt free basis, with a normal level of working capital. The sale completion is subject to several conditions, being Vortiv shareholder approval, CyberCX gaining FIRB approval to acquire the Business, retention of key staff and key customers; and no material adverse change occurring in the business prior to completion.

Vortiv will be conducting an Extraordinary General Meeting on 11 December to enable shareholders to vote on the proposed sale of the Business. If the Company does not obtain shareholder approval, the Business will continue to operate as normal and the Company will focus on its previously stated strategy of organic growth and complementary acquisitions.

Subsequent to the balance date there were no other matters or circumstances that 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 Company in the future financial years.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the half year ended 30 September 2020 has been received and is included in this financial report.

Rounding of amounts

The amounts contained in this report and in the financial statements have been rounded to the nearest \$1,000 (where rounding is applicable) as permitted under the Australian Securities and Investment Commission (ASIC) Corporations Instrument 2016/191.

The Directors' report is signed in accordance with a resolution of Directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors



Jeffrey Lai
Perth, 19 November 2020

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 30 SEPTEMBER 2020

	Notes	Half Year ended 30 Sep 2020 \$'000	Half Year ended 30 Sep 2019 \$'000
Revenue from contracts with customers	2	6,651	5,609
Finance income		2	5
Other income		130	-
Revenue		6,783	5,614
Cost of sales		(2,065)	(1,418)
Gross profit		4,718	4,196
Employee benefits expenses		(3,586)	(3,222)
Professional services		(342)	(235)
Research & development		(46)	(87)
Depreciation expenses		(22)	(17)
Depreciation of right of use assets		(62)	(46)
Finance costs		(45)	(54)
Fair value adjustment on contingent consideration	7	473	302
Other expenses		(209)	(388)
Profit before tax		879	449
Income tax benefit/(expense)	4	(109)	1,574
Profit after tax		770	2,023
Other comprehensive income/(loss)			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Foreign currency movement in translation of foreign operations		4	(11)
Other comprehensive income/(loss) for the period		4	(11)
Total comprehensive income/(loss) for the period attributable to members		774	2,012
Earnings/(Loss) per share pre-consolidation			
Basic earnings per share (cents per share)		0.55	1.60
Diluted earnings per share (cents per share)		0.55	1.60

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2020

	Notes	30 Sep 2020 \$'000	31 Mar 2020 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents		1,845	1,054
Trade and other receivables	5	1,259	2,068
Contract assets		89	217
Prepayments		69	94
Total Current Assets		3,262	3,433
Non-current Assets			
Financial assets at fair value through other comprehensive income (FVOCI)	6	5,530	5,530
Deferred tax asset	4	1,166	1,264
Plant & equipment		163	109
Right of use asset		409	57
Goodwill	7	10,945	10,945
Total Non-current Assets		18,213	17,905
TOTAL ASSETS		21,475	21,338
LIABILITIES			
Current Liabilities			
Payable to Cloudten Vendors	7	-	27
Trade and other payables	8	1,580	1,606
Contract liabilities		773	581
Lease liabilities		70	56
Convertible note	9	-	737
Total Current Liabilities		2,423	3,007
Non-Current Liabilities			
Payable to Cloudten Vendors	7	-	646
Provisions	10	168	143
Lease liabilities		368	-
Total Non-Current Liabilities		536	789
TOTAL LIABILITIES		2,959	3,796
NET ASSETS		18,516	17,542
EQUITY			
Contributed equity	11	41,989	41,789
Reserves		238	385
Accumulated losses		(23,711)	(24,632)
TOTAL EQUITY		18,516	17,542

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2020

	Notes	Half Year ended 30 Sep 2020 \$000	Half Year ended 30 Sep 2019 \$000
Cash flows from operating activities			
Receipt from customers		7,833	6,249
Payments to employees		(3,235)	(3,125)
Payments to suppliers		(2,908)	(1,815)
Receipts/(payments) for research & development		-	(87)
Income taxes received/(paid)		(11)	168
Interest received		1	1
Net cash inflow/(outflow) from operating activities		1,680	1,391
Cash flows from investing activities			
Net cash inflow/(outflow) on acquisition of business		-	(2,996)
Payment for plant & equipment		(76)	(38)
Net cash inflow/(outflow) from investing activities		(76)	(3,034)
Cash flows from financing activities			
Proceeds from issue of shares		-	800
Proceeds from exercise of options		-	83
Repayment of convertible notes	9	(765)	-
Share issue costs		-	(18)
Principal elements of lease payments		(48)	(43)
Net cash inflow/(outflow) from financing activities		(813)	822
Net increase/(decrease) during the period		791	(821)
Cash and cash equivalents at the beginning of the period		1,054	2,411
Effect of exchange rate movements on foreign currencies		-	(17)
Cash and cash equivalents at the end of the period		1,845	1,573

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 30 SEPTEMBER 2020

	Contributed equity \$000	Convertible note reserve \$000	Foreign currency translation reserve \$000	FVOCI reserve \$000	Share- based payment reserve \$000	Accumulated losses \$000	Total equity \$000
Balance at 1 April 2019	38,498	52	1	4,476	135	(26,938)	16,224
Net profit/(loss) for the period	-	-	-	-	-	2,023	2,023
Total other comprehensive income/(expense)	-	-	(11)	-	-	-	(11)
Total comprehensive income/(expense) for the period	-	-	(11)	-	-	2,023	2,012
Issue of shares	882	-	-	-	-	-	882
Issue costs	(18)	-	-	-	-	-	(18)
Balance at 30 September 2019	39,362	52	(10)	4,476	135	(24,915)	19,100
Balance at 1 April 2020	41,789	52	(17)	226	124	(24,632)	17,542
Net profit/(loss) for the period	-	-	-	-	-	770	770
Total other comprehensive income/(expense)	-	-	4	-	-	-	4
Total comprehensive income/(expense) for the period	-	-	4	-	-	770	774
Issue of shares	200	-	-	-	-	-	200
Convertible note reserve transferred to accumulated losses	-	(52)	-	-	-	52	-
Share based payments	-	-	-	-	-	-	-
Expired options transferred to accumulated losses	-	-	-	-	(99)	99	-
Balance at 30 September 2020	41,989	-	(13)	226	25	(23,711)	18,516

NOTES TO ACCOUNTS

1. GENERAL INFORMATION

Corporate information

Vortiv Limited is a company domiciled in Australia. These consolidated financial statements comprise Vortiv Limited, a company incorporated in Australia and its subsidiaries ("the Group") as at and for the six months ended 30 September 2020.

The annual financial report of the Company for the year ended 31 March 2020 is available on (ASX: VOR).

Statement of compliance

This financial report complies with Australian Accounting Standards, which include equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards (IFRS).

Components of the Company

The Company financial statements represent the financial position of Vortiv Limited, and the other entities within the Company at 30 September 2020 and their financial performance, cash flows and changes in equity for the half year ended on that date.

The Company comprises of the following entities:

		Extent of control		
	Incorporation	30 Sep 2020	31 Mar 2020	30 Sep 2019
<hr/>				
Accounting parent				
Vortiv Limited ("VOR")	Australia			
<hr/>				
Controlled entities				
Decipher Works Pty Ltd	Australia	100%	100%	100%
Cloudten Industries Pty Ltd	Australia	100%	100%	100%
Cloudten Industries Ltd (1)	United Kingdom	-	100%	100%
Cloudten Industries Pte Ltd (1)	Singapore	-	100%	100%
Transaction Solutions International Pty Ltd	Australia	100%	100%	100%
Transaction Solutions International (Mauritius) Pty Limited	Mauritius	100%	100%	100%

The Company retains a non-controlling 24.89% interest in TSI India.

(1) Entities deregistered during half year ended 30 September 2020 and there was nil activity during the period.

2. REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group derives its revenue from contracts with customers from professional services and the sale of software licenses and partner services at a point in time and over time. This is consistent with the revenue information that is disclosed for each reportable segment under AASB 8 *Operating Segments* as disclosed in note 3.

	30 Sep 2020 \$000	30 Sep 2019 \$000
IT Services – Professional services	4,884	4,244
IT Services – Sale of software licenses and partner services	1,767	1,365
Revenue from contracts with customers	6,651	5,609

3. SEGMENT INFORMATION

An operating segment is a component of an entity that engages in business activities from which it may earn revenue and incur expenses and whose operating results are regularly reviewed by the Company's Chief Operating Decision Maker (CODM) in order to effectively allocate Group resources and assess performance.

The Company has identified its operating segments based on the internal reports that are reviewed and used by the Chief Executive Officer in the capacity of the CODM. Two operating segments have been identified around differences in products and services.

One segment, being holder of a minority interest in TSI India, a specialist in providing solutions in the payments, electronic surveillance and managed services space. The other being IT (Information Technology) services through its wholly owned subsidiaries, Decipher Works Pty Ltd, a cyber security specialist and Cloudten Industries Pty Ltd, a cloud and cloud security specialist.

Revenue from contracts with customers is derived from the IT services segment. A further breakdown is provided in note 2.

	TSI India \$000	IT Services \$000	Corporate \$000	Total \$000
30 September 2020				
Revenue from contracts with customers	-	6,651	-	6,651
Other income	-	77	53	130
Revenue	-	6,728	53	6,781
Operating expenses	-	(5,731)	-	(5,731)
Corporate expenses	-	-	(39)	(39)
Foreign currency gains/(losses)	-	(4)	-	(4)
EBITDA*	-	993	14	1,007
30 September 2019				
Revenue from contracts with customers	-	5,609	-	5,609
Other income	-	-	-	-
Revenue	-	5,609	-	5,609
Operating expenses	-	(4,885)	-	(4,885)
Corporate expenses	-	-	(162)	(162)
Foreign currency gains/(losses)	-	(5)	-	(5)
EBITDA*	-	719	(162)	557

*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 2020 \$000	30 Sep 2019 \$000
EBITDA	1,007	557
Depreciation & Amortisation	(84)	(63)
EBIT	923	494
Finance income	1	5
Finance expense	(45)	(54)
Acquisition costs	-	4
Profit/(loss) before tax	879	449

	TSI India \$000	IT Services \$000	Corporate \$000	Total \$000
30 September 2020				
Segment assets				
Cash and term deposits	-	762	1,083	1,845
Trade and other receivables	-	1,197	62	1,259
Contract assets	-	89	-	89
Prepayments	-	41	28	69
Financial assets	5,530	-	-	5,530
Goodwill	-	10,945	-	10,945
Deferred tax asset	-	-	1,166	1,166
Plant and equipment	-	162	1	163
Right of use assets	-	-	409	409
Total segment assets	5,530	13,196	2,749	21,475
Segment liabilities				
Trade and other payables	-	1,386	194	1,580
Contract liabilities	-	773	-	773
Provisions	-	168	-	168
Lease liabilities	-	-	438	438
Convertible note	-	-	-	-
Total segment liabilities	-	2,327	632	2,959
NET SEGMENT ASSETS	5,530	10,869	2,117	18,516
31 March 2020				
Segment assets				
Cash and term deposits	-	1,025	29	1,054
Trade and other receivables	-	2,050	18	2,068
Contract assets	-	217	-	217
Prepayments	-	46	48	94
Financial assets	5,530	-	-	5,530
Goodwill	-	10,945	-	10,945
Deferred tax asset	-	-	1,264	1,264
Plant and equipment	-	108	1	109
Right of use assets	-	57	-	57
Total segment assets	5,530	14,447	1,361	21,338
Segment liabilities				
Payable to Cloudten Vendors	-	-	673	673
Trade and other payables	-	1,396	210	1,606
Contract liabilities	-	581	-	581
Provisions	-	143	-	143
Lease liabilities	-	56	-	56
Convertible note	-	-	737	737
Total segment liabilities	-	2,176	1,620	3,796
NET SEGMENT ASSETS	5,530	12,271	(259)	17,542

4. INCOME TAX AND DEFERRED TAX ASSET

Income tax recognised in profit or loss

The major components of tax expense are:

	Year ended 30 Sep 2020 \$000	Year ended 31 Mar 2020 \$000
Current tax expense/(income) in respect of the current year	(98)	-
Deferred tax expense/(income) in respect of the current year	98	(1,264)
Adjustments recognised in the current year in relation to the current tax of prior years	109	-
	109	(1,264)

Income tax reconciled to the accounting profit

	Year ended 30 Sep 2020 \$000	Year ended 31 Mar 2020 \$000
Profit for the year from continuing operations	879	1,401
Income tax using the Australia tax rate of 27.5%	242	385
<i>Adjustment for:</i>		
Effect of different tax rate in Mauritius of 15%	6	6
Effect of permanent non-deductible items	(145)	(106)
Effect of previously unrecognised deferred tax assets now recognised	-	(1,264)
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	-	-
Under recognition in prior year of deferred tax assets not brought to account as future income tax benefits	6	(285)
Tax benefit recognised in Statement of profit or loss and other comprehensive income relating to continuing operations	109	(1,264)

Income tax recognised in other comprehensive income

	Year ended 30 Sep 2020 \$000	Year ended 31 Mar 2020 \$000
Arising on income and expenses reclassified from equity to profit or loss:		
Capital raising costs	5	21

Recognised and unrecognised deferred tax assets and liabilities

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority. The Group intends to settle its current tax assets and liabilities on a net basis. The following is an analysis of the deferred tax balances for financial reporting purposes:

	30 Sep 2020 \$000	31 Mar 2020 \$000
Trade and other receivables	(24)	(60)
Trade and other payables	224	171
Business acquisition costs	-	-
Capital raising costs	43	48
Employee entitlements	224	61
Right of use assets	8	3
Carried forward tax losses	691	1,041
Net tax assets	1,166	1,264
Recognised tax assets and liabilities	1,166	1,264
Unrecognised tax assets and liabilities	-	-

5. TRADE AND OTHER RECEIVABLES

	30 Sep 2020 \$000	31 Mar 2020 \$000
Trade receivables	1,118	1,995
Security deposits	47	28
Other receivables	94	45
	1,259	2,068

The average credit period on the sale of goods and services is 30 days. No interest has been charged on trade receivables and an allowance for doubtful debts has not been recognised.

Age of trade receivables but not impaired

	30 Sep 2020 \$000	31 Mar 2020 \$000
0-30 days	926	1,337
31-60 days	171	474
61-90 days	21	82
>90 days	-	102
	1,118	1,995
Average age (days)	33	34

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

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 2020.

Details of the independent expert's valuation report were disclosed in note 10 of the group's annual financial statements for the year ended 31 March 2020.

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.

Reconciliation of movement in 'Level 3' financial instruments

	30 Sep 2020 \$000	31 Mar 2020 \$000
Balance at the beginning of the year	5,530	9,780
Movement in fair value of financial instruments	-	(4,250)
	5,530	5,530

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 7 directors. The decisions of the Board are taken by a majority vote. VOR 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: Gary Foster was replaced by Jeffrey Lai as a non-executive director during the year ended 31 March 2020. There has been no other interchange of managerial personnel between VOR and TSI India.

Provision of essential technical information: There has been no provision of essential technical information between VOR and the investee.

7. GOODWILL AND PAYABLE TO CLOUDTEN VENDORS

	30 Sep 2020 \$000	31 Mar 2020 \$000
Decipher Works Pty Ltd	3,163	3,163
Cloudten Industries Pty Ltd	7,782	7,782
Goodwill	10,945	10,945

Acquisition of Decipher Works Pty Ltd (DWX)

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

Acquisition of Cloudten Industries Pty Ltd (C10)

On 1 February 2019 Vortiv acquired 100% of the voting shares of C10.

Details of this business combination were disclosed in note 12 of the group's annual financial statements for the year ended 31 March 2020.

Payable to Cloudten Vendors

	30 Sep 2020 \$000	31 Mar 2020 \$000
Balance at the beginning of the year	673	6,496
Total cash consideration on acquisition of Cloudten	-	-
Contingent consideration on acquisition and adjustment	-	(420)
Less fair value adjustment*	(473)	-
Less cash payments	-	(5,600)
Less issue of shares*	(200)	-
Less/(plus) Income tax and other payments made on behalf of Cloudten vendors	-	197
Balance at the end of the year	-	673
Current	-	27
Non-current	-	646

*Earnout rights were bought out on 29 September 2020 for \$200,000 in the form of Vortiv shares based on a 5-day VWAP resulting in the settlement of the Payable to Cloudten Vendors, resulting in a gain on settlement of \$473,115.

8. TRADE AND OTHER PAYABLES

	30 Sep 2020 \$000	31 Mar 2020 \$000
Trade payables	418	737
Employee entitlements	938	609
Other payables	224	260
	1,580	1,606

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

9. CONVERTIBLE NOTES

The convertible notes that were due to expire on the 15th of September 2020 were not converted to shares. The face value plus interest was paid to the noteholders during the period in the amount of \$764,611.

10. PROVISIONS

	30 Sep 2020 \$000	31 Mar 2020 \$000
Long Service Leave	168	143
	168	143

11. CONTRIBUTED EQUITY

	30 Sep 2020 \$000	31 Mar 2020 \$000
Issued and paid up capital	41,989	41,789
	41,989	41,789

	Nos.	\$000
Movement in ordinary shares		
Opening balance	120,620,306	38,498
Issued for cash	18,838,971	3,513
Costs of issue	-	(222)
Balance at 31 March 2020	139,459,277	41,789
Issued in lieu of earnout*	1,065,086	200
Costs of issue	-	-
Balance at 30 September 2020	140,524,363	41,989

*Shares were issued on the 29th of September to Cloudten vendors to replace the earnout payment

Ordinary shares have the right to receive dividends as declared and, in the event of a winding up of the company, to participate in the proceeds from sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or proxy, at a meeting of the company.

12. 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.

13. COMMITMENTS

Capital commitments

At 30 September 2020, the Group had no capital commitments.

Operating lease commitments

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

	30 Sep 2020 \$000	31 Mar 2020 \$000
Payable within 1 year	2	33
Between 1 and 5 years	29	-
Beyond 5 years	-	-
Total	31	33

14. CONTINGENT ASSETS AND LIABILITIES

At 30 September 2020 there are no contingent assets within the Group.

15. EVENTS AFTER BALANCE SHEET DATE

On the 22nd of October 2020, the Company announced the proposed sale of Cloudten and Decipher Works (collectively, “Business”) for \$25 million to CyberCX, on a cash free and debt free basis, with a normal level of working capital. The sale completion is subject to several conditions, being Vortiv shareholder approval, CyberCX gaining FIRB approval to acquire the Business, retention of key staff and key customers; and no material adverse change occurring in the business prior to completion.

Vortiv will be conducting an Extraordinary General Meeting on 11 December to enable shareholders to vote on the proposed sale of the Business. If the Company does not obtain shareholder approval, the Business will continue to operate as normal and the Company will focus on its previously stated strategy of organic growth and complementary acquisitions.

Subsequent to the balance date there were no other matters or circumstances that 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 Company in the future financial years.

16. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The condensed consolidated interim financial report for the half-year reporting period ended 30 September 2020 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 conjunction with the annual report for the year ended 31 March 2020 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.

Continuing Operations

The directors have assessed the classification of the potential sale of the Cloudten and Decipher Works business, specifically in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*. The proposed transaction is subject to a number of conditions precedent including shareholder approval.

Based on information available at the date of this report, the directors believe that the Business should be classified as Continuing Operations, given the uncertainty of receiving shareholder approval for the transaction at the proposed Extraordinary General Meeting, scheduled on 11 December 2020. Specifically, the directors are of the view that uncertainty on the outcome of the shareholder vote at the meeting means the proposed transaction does not meet the AASB 5 criteria of “highly probable” to classify the business as Discontinued Operations.

If the Company does not obtain shareholder approval, the businesses will continue to operate as normal and the Company will focus on its previously stated strategy of organic growth and complementary acquisitions.

Standards and interpretations in issue not yet adopted

The Group has reviewed the new and revised Standards and Interpretations in issue not yet adopted for the half year ended 30 September 2020. As a result of this review the Group has determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Group; therefore, no change is necessary to Group accounting policies.

Going concern

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activities, 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 \$770,380 (30 September 2019: \$2,023,049) and net cash inflows from operating activities of \$1,680,497 (30 September 2019: \$1,391,064) and working capital is \$838,405 as at 30 September 2020 (31 March 2020: \$426,303). Included in working capital are contract liabilities of \$773,383.

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.

There are no indicators suggesting going concern problems and, therefore, no significant doubt regarding the entity’s ability to continue as a going concern.

CORPORATE INFORMATION

Directors

Gary Foster	Non-executive Chairman
Jeffrey Lai	Managing Director
Howard Digby	Non-executive director

Company secretary

Phillip MacLeod

Registered office

Unit 9, 88 Forrest Street
Cottesloe WA 6011

Principal office

16 Gympie Way
Willetton WA 6155

Auditors

Bentleys Audit & Corporate (WA) Pty Ltd
Level 3, London House
216 St Georges Terrace
Perth WA 6000

Share registry

Advanced Share Registry
110 Stirling Highway
Nedlands WA 6009
Telephone: 1 300 113 258
International: +61 8 9389 8033

Contact details

Telephone: +61 8 9259 1592

Bankers

National Australia Bank Limited

Stock exchange listing

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

DIRECTORS' DECLARATION

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

In the opinion of the directors:

- (a) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- (b) the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1 to the financial statements;
- (c) the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity;

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

Signed in accordance with a resolution of the Directors made pursuant to s295(5) of the Corporations Act 2001.

On behalf of the Directors



Jeffrey Lai
Perth, 19 November 2020

**Bentleys Audit & Corporate
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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 2020, 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 19th day of November 2020

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 consolidated statement of financial position as at 30 September 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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.

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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 2020 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.

Independent Auditor's Review Report

To the Members of Vortiv Limited (Continued)



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 2020 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
Chartered Accountants

DOUG BELL CA
Partner

Dated at Perth this 19th day of November 2020