

Cirralto Limited

(formerly Motopia Limited)
ABN 67 099 084 143

Appendix 4E – Unaudited Preliminary Final Report

For the year ended 30 June 2019

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Cirralto Limited
Appendix 4E
Preliminary Final report

1. Company details

Name of entity:	Cirralto Limited
ABN:	67 099 084 143
Reporting period:	For the year ended 30 June 2019
Previous period:	For the year ended 30 June 2018

2. Results for announcement to the market

	2019 (\$)	2018 (\$)	Movement (\$)	%
Revenues from ordinary activities	670,732	301,553	369,179	122%
Loss from ordinary activities after tax attributable to the owners of Cirralto Limited	(6,037,037)	(6,440,644)	403,607	(6%)

3. Net tangible assets

	2019 (\$)	2018 (\$)
Net tangible assets (liabilities) per ordinary security	<u>(0.0001)</u>	<u>0.10</u>

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

There were no dividends paid, recommended or declared during the current financial period.

Previous period

There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Compliance Statement

This report has been prepared in accordance with AASB standards, other AASB authoritative pronouncements and interpretations or other standards acceptable to the ASX. No other standards have been applied. This report and the accounts upon which the report is based use the same accounting policies. This report gives a true and fair view of the matters disclosed.


10. Audit qualification or review

This preliminary financial report is based on accounts which are in the process of being audited. No disputes or qualifications are likely to occur. As the company and its controlled entities are currently reliant on raising capital to continue as a going concern, an emphasis of matter paragraph, which is not a qualification, regarding going concern may be included in the audit report.

11. Attachments

The unaudited preliminary Financial Report of Cirralto Limited for the year ended 30 June 2019.

Signed on behalf of Cirralto Limited



Justyn Stedwell
Company Secretary
Date: 31 August 2019

Cirralto Limited
Appendix 4E
Preliminary final report

Commentary on results
For the year ended 30 June 2019

Cirralto Limited (previously known as Motopia) (referred to as “Cirralto” or the “Company”) is a company listed by shares, incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX:CRO). The consolidated financial statements of the Company as at and for the year ended 30 June 2019 comprises the Company and its subsidiaries (collectively referred to as the “Group”).

The unaudited financial statements present the consolidated results of the Company and its subsidiaries for the year ended 30 June 2019.

This financial report has been prepared in accordance with International Financial Reporting Standards, other authoritative pronouncements and Interpretations of the Australian Accounting Standards Board and the Corporations Act 2001. This financial report does not include all the notes of the type normally included in an annual report. Accordingly, this report is to be read in conjunction with the Interim Financial Report for the period ended 31 December 2018 and any public announcements made by Cirralto Limited during the reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Operating and Financial Review

Cirralto Limited owns, licenses and operates technology assets and services that enable modernisation of business IT systems via the conversion, migration and management of server-based legacy data and systems to an integrated cloud-based solution. The Company supplies a toolbox of digital technologies which enables businesses to retain essential data while migrating across to cloud-based, fully connected and integrated systems.

The table below details key financial information for the year ended 30 June 2019 (FY19), in comparison to the 2018 (FY18) results.

	30 June 2019	30 June 2018	Movement
	\$	\$	
Revenue from continuing operations	670,732	301,553	369,179
Cost of services rendered	(498,463)	(472,448)	(26,015)
Employee & directors' benefits expense	(1,422,798)	(1,210,910)	(211,888)
Impairment of assets	(2,537,598)	(1,720,568)	(817,030)
Share-based payment expense	(681,840)	(1,503,847)	822,007
Other expenses	(1,567,070)	(1,834,424)	267,354
Income tax expense	-	-	-
Statutory net loss after income tax	(6,037,037)	(6,440,644)	403,607

Revenue for the 2019 reporting period was \$670,732 compared to the 2018 revenue of \$301,553, representing an increase of 122% driven by significant wins within the pool services industry, development of new business segments and an expansion in service capabilities.

During the year the Company raised \$3.46 million (net of costs) by way of placements, share purchase plans and convertible notes. The funds have enabled the development of the Company's cloud based IP for data migration and payment services. Much of the Company's development will enable continued growth in customer acquisition, revenue diversification and the broadening of the company's addressable market.

During the previous 2018 financial year, the Company's financial performance was adversely impacted by a major restructure within Telstra. This resulted in the Company no longer participating in the Telstra Digital Commerce Programme, the direct impact of which was a reversal of the majority of deferred revenue which continued to impact the Company for the first 3 quarters of FY19.

The statutory net loss after tax for FY19 reporting period was \$6,037,037 compared to FY18 of \$6,440,644 representing a decrease of 6% however these results reflect a significant item of \$2,537,598 in FY19 which mainly represents a non-cash impairment recognised.

CONSOLIDATED STATEMENT OF PROFIT AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

Consolidated			
	Note	30 June 2019	30 June 2018
		\$	\$
Revenue from continuing operations	2a	670,732	301,553
Cost of services rendered		(498,463)	(472,448)
Other Income	2b	7,939	5,949
Employee & directors' benefits expense	3a	(1,422,798)	(1,210,910)
Depreciation and amortisation expense	3b	(290,664)	(528,766)
Impairment of intangible assets and goodwill	3b	(2,537,598)	(1,720,568)
Consulting fees	3c	(51,575)	(311,124)
Legal and other professional fees		(119,613)	(163,684)
Regulatory listing fees		(58,546)	(97,068)
Occupancy expenses		(204,754)	(166,106)
Share-based payment expense	9	(681,840)	(1,503,847)
Other expenses		(837,243)	(511,800)
Finance costs		(12,614)	(61,825)
Loss before income tax		(6,037,037)	(6,440,644)
Income tax expense		-	-
Loss after income tax		(6,037,037)	(6,440,644)
Loss for the year after income tax attributable to owners of Cirralto Limited		(6,037,037)	(6,440,644)
Other comprehensive loss for the year, net of tax		-	-
Total comprehensive loss for the year attributable to owners of Cirralto Limited		(6,037,037)	(6,440,644)
Loss per share for the year ended attributable to the members of Cirralto Limited			
- Basic (loss) per share (cents per share)	4	(1.30)	(2.44)
- Diluted (loss) per share (cents per share)	4	(1.30)	(2.44)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

Consolidated			
	Note	30 June 2019	30 June 2018
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	5	100,942	569,399
Trade and other receivables	6	300,311	324,536
Other current assets		131,865	135,386
Total current assets		533,119	1,029,321
Non-current assets			
Property, plant & equipment		4,402	7,649
Intangible assets	7	3,099,280	4,155,988
Total non-current assets		3,103,682	4,163,637
Total assets		3,641,348	5,192,958
Liabilities			
Current liabilities			
Trade and other payables		523,055	534,287
Provisions		22,926	173,860
Other loans		-	-
Total current liabilities		545,980	708,147
Non-current liabilities			
Other loans		-	-
Total non-current liabilities		-	-
Total liabilities		545,980	708,147
Net assets / (liabilities)		3,090,819	4,484,811
Equity			
Contributed equity	8	60,199,188	56,238,006
Share-based payment reserve	9	2,185,687	1,503,847
Accumulated losses		(59,294,056)	(53,257,042)
Total equity / (deficiency)		3,090,819	4,484,811

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

Consolidated				
	Contributed Equity \$	Share- based payment reserve \$	Accumulated Losses \$	Total Equity/ (Deficiency) \$
30 June 2018				
Balance as at 1 July 2017	45,400,961	-	(46,816,398)	(1,415,437)
Loss for the year	-	-	(6,440,644)	(6,440,644)
Total Comprehensive loss for the year	-	-	(6,440,644)	(6,440,644)
Transactions with owners in their capacity as owners:				
Issue of share capital	11,156,740	-	-	11,156,740
Transactions costs related to share issue	(319,695)	-	-	(319,695)
Share-based payment transactions	-	1,503,847	-	1,503,847
Balance as at 30 June 2018	56,238,006	1,503,847	(53,257,042)	4,484,811
30 June 2019				
Balance as at 1 July 2018	56,238,006	1,503,847	(53,257,042)	4,484,811
Loss for the year	-	-	(6,037,037)	(6,037,037)
Total Comprehensive loss for the year	-	-	(6,037,037)	(6,037,037)
Transactions with owners in their capacity as owners:				
Issue of share capital	4,182,520	-	-	4,182,520
Transactions costs related to share issue	(221,338)	-	-	(221,338)
Adjustment relating to ConvertU2 Online	-	-	23	23
Share-based payment transactions	-	681,840	-	681,840
Balance as at 30 June 2019	60,199,188	2,185,687	(59,294,056)	3,090,819

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

	Consolidated		
	Note	30 June 2019	30 June 2018
		\$	\$
Cash flows from operating activities			
Receipts from customers		762,028	182,706
Interest received		-	4,274
Payments to suppliers and employees		(2,918,309)	(4,136,946)
Bank charges and interest paid		(4,675)	(33,762)
Net cash (used in) operating activities		(2,160,956)	(3,983,728)
Cash flows from investing activities			
Cash acquired from CBS acquisition		-	224
Payment for intangibles		(1,763,182)	-
Acquisition of non-current assets		(5,125)	(745,644)
Net cash (used in) investing activities		(1,768,307)	(745,420)
Cash flows from financing activities			
Other loans		-	(21,831)
Proceeds from issue of shares		3,621,209	5,316,330
Payment of share issue costs		(160,403)	-
Net cash inflow from financing activities		3,460,806	5,294,499
Net (decrease)/increase in cash and cash equivalents		(468,457)	565,351
Cash at beginning of financial year		569,399	4,048
Cash at end of financial year	5	100,942	569,399

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Note 1 Corporate Information

Cirralto Limited (previously known as Motopia) (referred to as “Cirralto” or the “Company”) is a company limited by shares, incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX: CRO). The consolidated financial statements of the Company as at and for the year ended 30 June 2019 comprise the Company and its subsidiaries (collectively referred to as the “Group”).

Note 2 Revenue and other income

Consolidated		
	2019	2018
	\$	\$
2a Revenue		
Revenue from rendering of services	670,732	301,553
	670,732	301,553
2b Other Income		
Interest revenue	430	4,274
Other income	7,509	1,675
	7,939	5,949

Note 3 Expenses

Consolidated		
	2019	2018
	\$	\$
3a Employee & Directors’ benefits expense		
Directors’ remuneration	548,996	726,389
Employee & company secretary fees	873,802	484,521
	1,422,798	1,210,910
3b Depreciation, amortisation & impairment expenses		
Depreciation	18,872	26,711
Amortisation	271,792	502,055
Total Depreciation & amortisation expense	290,664	528,766
Impairment charges:		
Intangible assets	2,537,598	1,720,568
	2,537,598	1,720,568
3c Consulting fees		
IT services	-	195,077
Corporate & funding strategy services	30,000	89,000
Other consulting services	21,575	27,047
	51,575	311,124

Note 4 Earnings per share

Basic earnings or loss per share are calculated by dividing net profit or loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted earnings or loss per share amounts are calculated by dividing the net profit or loss attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

Share options are considered to be anti-dilutive and not used in the calculation of diluted EPS.

	Consolidated	
	2019	2018
	\$	\$
The following reflects the income and share data used in the basic and diluted earnings per share computations:		
Loss after income tax expense from continuing operations	(6,037,037)	(6,440,644)
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS	465,107,341	264,285,317
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted EPS	465,107,341	264,285,317
Basic loss per share (cents per share)	(1.30)	(2.44)
Diluted loss per share (cents per share)	(1.30)	(2.44)

Note 5 Cash and cash equivalents

	Consolidated	
	2019	2018
	\$	\$
Cash at bank and in hand	100,942	569,399
	100,942	569,399

Note 6 Trade and other receivables

	Consolidated	
	2019	2018
	\$	\$
Trade receivables	212,568	136,959
Interest free loans to employees	52,006	-
Accrued revenue based on revenue recognition	-	45,479
Other receivables	35,737	142,099
	300,311	324,537

(a) Fair value and credit risk

Due to the short term nature of the receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Company's policy to transfer (on-sell) receivables to special purpose entities.

Note 7 Intangible assets

	Consolidated	
	2019	2018
	\$	\$
Lemon & Lime platform – at cost (a)	5,500	5,500
Less: Accumulated amortisation	(4,125)	(4,125)
Less: Provision for impairment	(1,375)	(1,375)
	-	-
ConvertU2Online platform – at cost (b)	292,527	292,527
Less: Accumulated amortisation and impairment	(184,799)	(184,799)
Less: Loss on disposal of asset	(107,728)	(107,728)
	-	-
Modac IP – at cost (c)	250,000	250,000
Less: Accumulated amortisation	(190,000)	(190,000)
Less: Provision for impairment	(60,000)	(60,000)
Less: Transfer to asset held for sale	-	-
	-	-
Software development – at cost (d)	2,507,682	755,000
Less: Provision for impairment	(1,711,787)	-
Less: Accumulated amortisation	(347,510)	(75,718)
	448,385	679,282
Intangible contract on acquisition of CBS – at cost (e)	2,814,990	2,814,990
Less: Accumulated amortisation	(380,300)	(380,300)
Less: Provision for impairment	(1,660,568)	(1,660,568)
Less: Deferred tax liability on the fair value of intangible asset acquired (note 4)	(774,122)	(774,122)
	-	-
Goodwill on acquisition of CBS – at cost (f)	3,476,706	3,476,706
Less: Provision for impairment	(825,811)	-
	2,650,895	3,476,706
Total intangibles assets	3,099,280	4,155,988

(a) Lemon & Lime platform

This entity was deregistered subsequent to the year ended 30 June 2019.

(b) ConvertU2Online platform

The directors do not believe sufficient revenue will be derived from ConvertU2Online and hence the entity will also be deregistered subsequent to the year ended 30 June 2019.

(c) Modac Group Pty Ltd (Modac) – IP

This entity was deregistered subsequent to the year ended 30 June 2019.

(d) Software development costs

Software consists of capitalised development costs. Development costs consist of customised applications that integrate data through the use of cloud enabled technologies, specifically the Poolbox solution. The directors assessed the useful life of the asset as 5 years.

(e) Intangible Contract

The acquisition of CBS included a contract whereby CBS formed a partner alliance to become accredited resellers and enablement partners within Telstra Limited. As announced on 27 July 2018, the Company received notice that it would no longer be participating in the Telstra Digital Commerce programme. Given the termination of the contract relationship, the directors decided to fully impair the carrying amount of the asset at 30 June 2018.

(f) Goodwill

On 7 September 2017 the Company acquired 100% of CBS. Goodwill represents other intangible assets of the business not explicitly recognised on the balance sheet and includes assembled workforce, technical expertise, distribution channels, customer service capability, product and service support and geographic presence. It will not be deductible for tax purposes. The Group tests whether goodwill has suffered any impairment on an annual basis.

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Consolidated			
	Goodwill	Software	Trademarks & IP	Total
			\$	\$
Opening balance at 1 July 2017	-	174,764	-	174,764
Additions	3,476,706	755,000	2,814,990	7,046,696
Amortisation	-	(142,754)	(380,300)	(523,054)
Impairment of assets	-	-	(1,720,568)	(1,720,568)
Deferred tax liability on fair value of intangible asset acquired	-	-	(774,122)	(774,122)
Loss on disposal of asset	-	(107,728)	-	(107,728)
Reversal of asset held for sale	-	-	60,000	60,000
Closing balance at 30 June 2018	3,476,706	679,282	-	4,155,988
Opening balance at 1 July 2018	3,476,706	679,282	-	4,155,988
Additions	-	1,752,682	-	1,752,682
Amortisation	-	(271,792)	-	(271,792)
Impairment of assets	(825,811)	(1,711,787)	-	(2,537,598)
Deferred tax liability on fair value of intangible asset acquired	-	-	-	-
Loss on disposal of asset	-	-	-	-
Closing balance at 30 June 2019	2,650,895	448,385	-	3,099,280

Note 8 Contributed equity

	Consolidated	
	2019	2018
	\$	\$
Issued capital - Ordinary shares	60,199,188	56,238,006

60,199,188 **56,238,006**

Ordinary shares

Ordinary shareholders have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and moneys paid up on shares held. The fully paid ordinary shares have no par value. Ordinary shareholders are entitled to one vote, either in person or by proxy at a meeting of the Company.

Note 8 Contributed equity (continued)

Consolidated				
Ordinary shares	2019		2018	
	No. Shares	\$	No. Shares	\$
Opening balance	342,670,041	56,238,006	72,258,638	45,400,961
Rights issue and share placements	317,587,465	4,182,520	127,909,265	5,636,025
Issued to creditors in lieu of settlement	-	-	100,000	10,000
CBS acquisition	-	-	132,500,000	5,035,000
Share issue via conversion of convertible notes	-	-	9,902,138	475,715
Transactions costs related to share issue	-	(221,338)	-	(319,695)
Closing balance	660,257,506	60,199,188	342,670,041	56,238,006

Note 9 Share Based Payment Reserve

Consolidated			
	2019	2018	
	\$	\$	\$
Opening Balance	1,503,847	-	-
Unlisted options issued during the year	116,000	1,503,847	-
Vesting charge on previously issued options	565,840	-	-
Closing balance	2,185,687	1,503,847	-

Note 10 Segment reporting

The consolidated entity's operating segment is based on the internal reports that are reviewed and used by the Board of Directors (being the Chief Operating Decision Maker ('CODM')) in assessing performance and in determining the allocation of resources. The consolidated entity operates predominantly in the IT industry and a single geographic segment being Australia.

At regular intervals, the CODM is provided management information at a consolidated level for the entity's cash position, the carrying values of intangible assets and a cash flow forecast for the next twelve months of operation. On this basis, no segment information is included in these financial statements.

Note 11 Events occurring after the reporting date

Subsequent to the year ended 30 June 2019, two subsidiaries of Cirralto Limited were deregistered being Lemon & Lime Pty Ltd and Modac Group Pty Ltd.