Cipherpoint Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	Cipherpoint Limited
ABN:	61 120 658 497
Reporting period:	For the year ended 31 March 2023
Previous period:	For the year ended 31 March 2022

2. Results for announcement to the market

				$
Revenues from ordinary activities	up	48.7%	to	6,834,830
Loss from ordinary activities after tax attributable to the owners of Cipherpoint Limited	down	60.2%	to	(3,579,750)
Loss for the year attributable to the owners of Cipherpoint Limited	down	60.2%	to	(3,579,750)

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

Comments
The loss for the Group after providing for income tax amounted to $3,579,750 (31 March 2022: $9,001,810).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(0.14)	0.01

4. Control gained over entities

On 28 August 2022 Cipherpoint Limited entered into a Binding Term Sheet to acquire 100% of the share capital of Excite IT Pty Limited. The Term Sheet was subsequently completed by all parties and announced to the ASX on 23 November 2022. Excite IT contributes approximately $0.3m of the loss from continuing operations for the 12 months.

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.

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9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

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10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The Financial Report is in the process of being audited with an expectation of an unmodified audit report containing a material uncertainty relating to going concern.

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11. Attachments

Details of attachments (if any):

The Preliminary financial statements of Cipherpoint Limited for the year ended 31 March 2023 is attached.

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12. Signed

Signed ______________________ Date: 31 May 2023

Cipherpoint Limited

ABN 12 345 678 901

Preliminary financial statements - 31 March 2023

General information

The financial statements cover Cipherpoint Limited as a Group consisting of Cipherpoint Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Cipherpoint Limited's functional and presentation currency.

Cipherpoint Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Registered Office

Suite 2.01, 157 Walker Street
North Sydney, NSW 2060
Telephone: (02) 8412 8200

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 31 May 2023. The directors have the power to amend and reissue the financial statements.

Cipherpoint Limited
Statement of profit or loss
For the year ended 31 March 2023

	Note	Consolidated 2023 $	Consolidated 2022 $
Revenue	4	6,834,830	4,255,425
Expenses			
Software and hardware for resale		(2,215,116)	(799,292)
Employee benefits expense	5	(5,760,142)	(5,039,856)
Depreciation and amortisation expense	5	(358,578)	(172,722)
Impairment of assets		-	(6,202,442)
Legal and professional fees expense		(921,412)	(1,093,302)
Marketing and promotion expense		(52,031)	(167,626)
Travel and accommodation expense		(97,400)	(98,436)
Office and administration expense		(979,235)	(942,886)
Interest expense	5	(36,483)	(29,941)
Operating loss		(3,585,567)	(10,291,078)
Interest Income		560	1,948
Gain/(Loss) on disposal of fixed assets		5,257	-
Loss before income tax expense from continuing operations		(3,579,750)	(10,289,130)
Income tax expense		-	(24,846)
Loss after income tax expense from continuing operations		(3,579,750)	(10,313,976)
Profit after income tax expense from discontinued operations		-	1,312,166
Loss after income tax expense for the year attributable to the owners of Cipherpoint Limited		(3,579,750)	(9,001,810)
		Cents	**Cents**
Earnings per share for loss from continuing operations attributable to the owners of Cipherpoint Limited			
Basic earnings per share	17	(0.52)	(3.58)
Diluted earnings per share	17	(0.52)	(3.58)
Earnings per share for profit from discontinued operations attributable to the owners of Cipherpoint Limited			
Basic earnings per share	17	-	0.45
Diluted earnings per share	17	-	0.45
Earnings per share for loss attributable to the owners of Cipherpoint Limited			
Basic earnings per share	17	(0.52)	(3.12)
Diluted earnings per share	17	(0.52)	(3.12)

The above statement of profit or loss should be read in conjunction with the accompanying notes

Cipherpoint Limited
Statement of other comprehensive income
For the year ended 31 March 2023

	Consolidated	
	2023	**2022**
	$	**$**
Loss after income tax expense for the year attributable to the owners of Cipherpoint Limited	(3,579,750)	(9,001,810)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation	260,099	135,006
Other comprehensive income for the year, net of tax	260,099	135,006
Total comprehensive income for the year attributable to the owners of Cipherpoint Limited	(3,319,651)	(8,866,804)
Total comprehensive income for the year is attributable to:		
Continuing operations	(3,319,651)	(8,866,804)
Discontinued operations	-	-
	(3,319,651)	(8,866,804)

The above statement of other comprehensive income should be read in conjunction with the accompanying notes

Cipherpoint Limited
Statement of financial position
As at 31 March 2023

	Note	Consolidated 2023 $	2022 $
Assets			
Current assets			
Cash and cash equivalents		1,251,638	1,893,936
Trade and other receivables	6	1,431,346	1,054,674
Prepayments		366,489	66,962
Total current assets		3,049,473	3,015,572
Non-current assets			
Property, plant and equipment	7	181,993	278,952
Right-of-use assets	8	274,553	279,517
Intangibles	9	3,044,596	2,142
Other assets	10	37,003	92,501
Total non-current assets		3,538,145	653,112
Total assets		6,587,618	3,668,684
Liabilities			
Current liabilities			
Trade and other payables	11	2,140,972	1,007,755
Contract liabilities	12	514,591	268,520
Lease liabilities	13	136,144	181,743
Employee benefits		282,111	213,106
Deferred consideration		1,280,000	1,450,000
Total current liabilities		4,353,818	3,121,124
Non-current liabilities			
Borrowings		153,863	-
Lease liabilities	14	104,506	94,798
Employee benefits		106,397	14,458
Deferred consideration		425,000	400,000
Total non-current liabilities		789,766	509,256
Total liabilities		5,143,584	3,630,380
Net assets		1,444,034	38,304
Equity			
Issued capital	15	107,360,972	103,122,027
Reserves		4,836,670	4,090,135
Accumulated losses		(110,753,608)	(107,173,858)
Total equity		1,444,034	38,304

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

Cipherpoint Limited
Statement of changes in equity
For the year ended 31 March 2023

Consolidated	**Issued capital $**	**Reserves $**	**Retained profits $**	**Total equity $**
Balance at 1 April 2021	98,468,154	3,557,850	(98,282,280)	3,743,724
Loss after income tax expense for the year	-	-	(9,001,810)	(9,001,810)
Other comprehensive income for the year, net of tax	-	135,006	-	135,006
Total comprehensive income for the year	-	135,006	(9,001,810)	(8,866,804)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 15)	4,537,376	-	-	4,537,376
Share based payments – share options (lapsed)	-	(10,620)	10,620	-
Share based payments – employee loan shares	-	216,686	-	216,686
Share options - performance rights	-	317,322	-	317,322
Share based payments - performance rights conversion	116,497	(107,500)	(8,997)	-
Share options consulting (lapsed)	-	(108,609)	108,609	-
Share options - Brokers	-	90,000	-	90,000
Balance at 31 March 2022	103,122,027	4,090,135	(107,173,858)	38,304

Consolidated	**Issued capital $**	**Reserves $**	**Retained profits $**	**Total equity $**
Balance at 1 April 2022	103,122,027	4,090,135	(107,173,858)	38,304
Loss after income tax expense for the year	-	-	(3,579,750)	(3,579,750)
Other comprehensive income for the year, net of tax	-	260,099	-	260,099
Total comprehensive income for the year	-	260,099	(3,579,750)	(3,319,651)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 15)	4,238,945	-	-	4,238,945
Share-based payments - performance rights	-	303,635	-	303,635
Share-based payments - share options	-	278,433	-	278,433
Lapse of employee share options	-	(95,632)	-	(95,632)
Balance at 31 March 2023	107,360,972	4,836,670	(110,753,608)	1,444,034

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

Cipherpoint Limited
Statement of cash flows
For the year ended 31 March 2023

	Note	Consolidated 2023 $	2022 $
Cash flows from operating activities			
Loss before income tax expense for the year		(3,579,750)	(8,976,964)
Adjustments for:			
Depreciation and amortisation		358,578	172,722
Impairment of goodwill		-	6,202,442
Share-based payments		486,635	534,008
Gain on disposal of business		-	(1,699,303)
Gain on reversal of contingent consideration		-	(152,650)
Interest and other finance costs		3,865	-
Fair Value Adjustment		50,000	-
		(2,680,672)	(3,919,745)
Change in operating assets and liabilities:			
Increase in trade and other receivables		(376,672)	(91,813)
Increase in other operating assets		(299,531)	(13,441)
Increase in trade and other payables		1,145,566	479,776
Increase in contract liabilities		246,071	111,569
Increase in employee benefits		160,944	167,134
		(1,804,294)	(3,266,520)
Income taxes paid		-	(24,846)
Net cash used in operating activities		(1,804,294)	(3,291,366)
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	16	(2,000,000)	(2,890,226)
Payments for property, plant and equipment	7	-	(244,472)
Receipt/(Payment) for security deposits		55,498	(68,102)
Proceeds from other assets		-	1,400,000
Net cash used in investing activities		(1,944,502)	(1,802,800)
Cash flows from financing activities			
Proceeds from issue of shares	15	3,196,340	1,500,100
Proceeds from borrowings		150,000	1,510,000
Share issue transaction costs		(207,395)	-
Repayment of lease liabilities		(292,546)	(128,547)
Net cash from financing activities		2,846,399	2,881,553
Net decrease in cash and cash equivalents		(902,397)	(2,212,613)
Cash and cash equivalents at the beginning of the financial year		1,893,936	3,971,549
Effects of exchange rate changes on cash and cash equivalents		260,099	135,000
Cash and cash equivalents at the end of the financial year		1,251,638	1,893,936

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

Note 1. General Information

The financial statements cover Cipherpoint Limited (the 'Company' or 'parent entity') as a consolidated entity consisting of Cipherpoint Limited and the entities it controlled ('the Group') at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Cipherpoint Limited's functional and presentation currency.
Cipherpoint Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 2.01, 157 Walker Street
North Sydney, NSW 2060

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 25 July 2023.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

Going concern

The financial statements of the Group have been prepared on a going concern basis, which contemplates the continuation of normal business operations and the realisation of assets and settlement of liabilities in the normal course of business.

The Group is in the revenue growth stage of its cyber security services in order to achieve scale. During the year ended 31 March 2023, the Group incurred a loss after tax from continuing operations of $3,579,750 (2022: $9,001,810) and incurred net cash outflows from operating activities of $1,804,294 (2022: $3,291,366). At 31 March 2023, the Group had cash and cash equivalents of $1,251,638. The Group has prepared cash flow forecasts as at 31 March 2023 to determine the appropriateness of the going concern assumption. The key assumptions underlying these forecasts are as follows:

- Winning new project and managed services business at a rate similar to historical performance and building on recently announced channel partnerships;
- The continuation of renewals in service contracts from existing customers;
- Management continuing to reduce costs in line with available resources; and
- The Group’s ability to raise further debt or equity funding from new and existing investors.

The inability to complete the above key assumptions would have a material impact on the anticipated trading results and cash flows, which gives rise to a material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern. In this event the Group may not be able to realise its assets and settle its liabilities in the normal course of operations and at the amounts stated in the financial statements.

The Group expects to remain well-resourced to meet the challenges of growing scale in its cyber security services and products. Accordingly the directors remain confident the Group will be able to realise its assets and settle liabilities in the normal course of operations. Consequently, the directors believe the going concern assumption is appropriate for the Group.

However, forecast events may not occur as expected as many external and internal factors impact on future events. The financial statements do not contain any adjustments relating to the recoverability and classification of recorded assets or liabilities that might be necessary should the Group not be able to continue as a going concern.

Note 2. Significant accounting policies (continued)

Basis of preparation
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention
The financial statements have been prepared under the historical cost convention.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Cipherpoint Limited ('company' or 'parent entity') as at 31 March 2023 and the results of all subsidiaries for the year then ended. Cipherpoint Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Foreign currency translation
The financial statements are presented in Australian dollars, which is Cipherpoint Limited's functional and presentation currency.

Foreign currency transactions
Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations
The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Note 2. Significant accounting policies (continued)

Revenue recognition
The Group recognises revenue as follows:

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of goods
Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Rendering of services
Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Note 2. Significant accounting policies (continued)

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Discontinued operations
A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Investments and other financial assets
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

Financial assets at amortised cost
A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Note 2. Significant accounting policies (continued)

Impairment of financial assets
The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

Property, plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Buildings	40 years
Leasehold improvements	3-10 years
Plant and equipment	3-7 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Right-of-use assets
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Note 2. Significant accounting policies (continued)

Intangible assets
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill
Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Patents and trademarks
Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Impairment of non-financial assets
Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables
These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Contract liabilities
Contract liabilities represent the Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the goods or services to the customer.

Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Lease liabilities
A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Note 2. Significant accounting policies (continued)

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Provisions
Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share-based payments
Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Note 2. Significant accounting policies (continued)

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Issued capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Business combinations
The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Note 2. Significant accounting policies (continued)

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Cipherpoint Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 31 March 2023. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Allowance for expected credit losses
The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Provision for impairment of inventories
The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Fair value measurement hierarchy
The Group is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Estimation of useful lives of assets
The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill and other indefinite life intangible assets
The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Income tax
The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Employee benefits provision
As discussed in note 2, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Lease make good provision
A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

Warranty provision
In determining the level of provision required for warranties the Group has made judgements in respect of the expected performance of the products, the number of customers who will actually claim under the warranty and how often, and the costs of fulfilling the conditions of the warranty. The provision is based on estimates made from historical warranty data associated with similar products and services.

Business combinations
As discussed in note 2, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Note 4. Revenue

	Consolidated	
	2023	**2022**
	$	**$**
Revenue from contracts with customers		
Revenue - technology related products and services	6,794,149	4,002,775
Other revenue		
Other revenue	40,681	252,650
Revenue	6,834,830	4,255,425

Note 4. Revenue (continued)

Disaggregation of revenue
The disaggregation of revenue from contracts with customers is as follows:

	Consolidated 2023 $	2022 $
Major product lines		
Maintenance and Support	134,227	26,100
Hardware and software resale	1,771,537	392,193
Services	4,888,385	3,584,482
	6,794,149	4,002,775
Geographical regions		
Australasia	6,659,922	3,976,675
Germany	134,227	26,100
	6,794,149	4,002,775
Timing of revenue recognition		
Goods transferred at a point in time	1,771,537	292,193
Services transferred over time	5,022,612	3,710,582
	6,794,149	4,002,775

Other income
In the prior year the Company received payments from the Australian Government amounting to $100,000 under the 'JobKeeper' scheme in response to the Covid-19 pandemic.

Note 5. Expenses

	Consolidated 2023 $	2022 $
Loss before income tax from continuing operations includes the following specific expenses:		
Depreciation		
Leasehold improvements	27,004	17,578
Plant and equipment	69,955	29,573
Office right-of-use assets	257,627	118,036
Motor vehicles right-of-use assets	3,992	7,535
Total depreciation	358,578	172,722
Impairment		
Goodwill	-	6,187,233
Domain costs	-	15,209
Total impairment	-	6,202,442
Employee benefit expense		
Wages and salaries	4,123,125	3,003,633
Non-executive director fees	108,762	295,464
Termination benefits	-	16,244
Recruitment and sourcing	10,080	297,209
Other employee related expenses	390,159	331,318
Payroll taxes	177,007	37,084
Defined contribution superannuation expense	368,941	307,040
Bonus - cash component (reversed)	-	217,856
Equity settled share-based payments	582,068	534,008
	5,760,142	5,039,856
Finance costs		
Interest and finance charges paid/payable on borrowings	15,642	6,196
Interest and finance charges paid/payable on lease liabilities	20,841	23,745
Finance costs expensed	36,483	29,941

Note 6. Current assets - trade and other receivables

	Consolidated 2023 $	2022 $
Trade receivables	1,365,861	457,350
Other receivables	65,485	39,993
Deferred consideration receivable *	-	557,331
	1,431,346	1,054,674

* This amount included a $450,043 deposit in escrow for the Brace168 acquisition and $107,288 receivable from the sale of software assets to archTIS.

Note 7. Non-current assets - property, plant and equipment

	Consolidated 2023 $	2022 $
Leasehold improvements - at cost	75,746	75,746
Less: Accumulated depreciation	(44,582)	(17,578)
	31,164	58,168
Plant and equipment - at cost	322,141	288,196
Less: Accumulated depreciation	(171,312)	(67,412)
	150,829	220,784
Fixtures and fittings - at cost	88,238	-
Less: Accumulated depreciation	(88,238)	-
	-	-
	181,993	278,952

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

Consolidated	Leasehold improvements $	Plant and equipment $	Fixtures and Fittings $	Total $
Balance at 1 April 2021	-	14,213	-	14,213
Additions	75,746	168,726	-	244,472
Additions through business combinations (note 16)	-	67,418	-	67,418
Depreciation expense	(17,578)	(29,573)	-	(47,151)
Balance at 31 March 2022	58,168	220,784	-	278,952
Additions through business combinations (note 16)	-	67,015	88,238	155,253
Depreciation acquired through business combinations	-	(67,015)	(88,238)	(155,253)
Depreciation expense	(27,004)	(69,955)	-	(96,959)
Balance at 31 March 2023	31,164	150,829	-	181,993

Note 8. Non-current assets - right-of-use assets

	Consolidated 2023 $	2022 $
Plant and equipment - right-of-use	612,737	359,881
Less: Accumulated depreciation	(338,184)	(118,036)
	274,553	241,845
Motor vehicles - right-of-use	35,732	45,207
Less: Accumulated depreciation	(35,732)	(7,535)
	-	37,672
	274,553	279,517

The Group leases office space and motor vehicle under an agreement of between 2 to 3 years with options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Note 8. Non-current assets - right-of-use assets (continued)

The Group leases office equipment under agreements of less than 1 year. These leases are either short-term or low-value, so have been expensed as incurred and not capitalised as right-of-use assets.

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

Consolidated	Office right-of-use $	Motor Vehicles $	Total $
Balance at 1 April 2021	-	-	-
Additions	359,881	45,207	405,088
Depreciation expense	(118,036)	(7,535)	(125,571)
Balance at 31 March 2022	241,845	37,672	279,517
Additions	321,693	-	321,693
Additions through business combinations (note 16)	-	35,732	35,732
Depreciation acquired through business combinations	-	(31,740)	(31,740)
Disposals	-	(37,672)	(37,672)
Surrender of Lease	(31,358)	-	(31,358)
Depreciation expense	(257,627)	(3,992)	(261,619)
Balance at 31 March 2023	274,553	-	274,553

For other right-of-use related disclosures, refer to the following:

- note 6 for details of depreciation on right-of-use assets and interest on lease liabilities;
- note 16 for lease liabilities at year end; and
- consolidated statement of cash flows for repayment of lease liabilities.

Note 9. Non-current assets - intangibles

	Consolidated 2023 $	Consolidated 2022 $
Goodwill - at cost	3,042,454	7,035,208
Less: Accumulated amortisation	-	(7,035,208)
	3,042,454	-
Patents and trademarks - at cost	2,142	2,142
Domain names - at cost	-	15,209
Less: Accumulated amortisation	-	(15,209)
	-	-
	3,044,596	2,142

Note 9. Non-current assets - intangibles (continued)

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** **$**	**Patents and Trademarks** **$**	**Domain Names** **$**	Total $
Balance at 1 April 2021	-	2,142	15,209	17,351
Additions through business combinations (note 16)	6,187,233	-	-	6,187,233
Impairment of assets	(6,187,233)	-	(15,209)	(6,202,442)
Balance at 31 March 2022	-	2,142	-	2,142
Additions through business combinations (note 16)	3,042,454	-	-	3,042,454
Balance at 31 March 2023	3,042,454	2,142	-	3,044,596

Impairment testing
The recoverable amount of the Group's goodwill, specifically the acquisitions of Brace168 Pty Ltd and Virtual Information Technology Pty Ltd (VIT), has been determined by a value-in-use calculation using a discounted cash flow model, based on a 2-year projection period approved by management, and extrapolated for a further 3 years using a steady rate, together with a terminal value.

Key assumptions are those to which the recoverable amount of an asset or cash-generating unit is most sensitive.

The following key assumptions were used in the discounted cash flow model for the acquisitions:

- 16% (2022: 16%) pre-tax discount rate;
- Revenue growth rates in year one and two ranging between 5% to 30% (2021: n/a) for various revenue streams and declining thereafter to 3% per annum projected revenue growth rate in year three and later years; and
- Growth rates in year one in operating costs and overheads in line with revenue growth and declining thereafter to 3% per annum increase in operating costs and overheads in year three and later years.

The discount rate of 16% pre-tax reflects management's estimate of the time value of money and the Group's weighted average cost of capital, the risk-free rate, and the volatility of the share price relative to market movements.

Management believes the projected 3% revenue growth rate is prudent and justified, based on Brace168 and VIT's revenue growth during the year, the investment in capabilities, and growth in the cyber-security market.

Management have maintained their estimation of the increase in operating costs and overheads, balancing higher inflation rates offset by efforts by the Group to contain costs.

There were no other key assumptions for the Brace168 or VIT divisions.

Sensitivity
As disclosed in note 3, the directors have made judgements and estimates in respect of impairment testing of goodwill.

Note 10. Non-current assets - other

	Consolidated **2023** **$**	**2022** **$**
Security deposits	31,803	87,301
Other deposits	5,200	5,200
	37,003	92,501

Note 11. Current liabilities - trade and other payables

	Consolidated 2023 $	2022 $
Trade payables	1,633,308	266,473
Other payables	507,664	741,282
	2,140,972	1,007,755

Note 12. Current liabilities - contract liabilities

	Consolidated 2023 $	2022 $
Contract liabilities	514,591	268,520

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

Opening balance	268,520	253,975
Payments received in advance	2,391,267	3,822,151
Additions through business combinations (note 16)	-	95,014
Transfer to revenue - performance obligations satisfied	(317,970)	(3,710,582)
Amounts transferred as part of the sale of software assets	(1,827,226)	(192,038)
Closing balance	514,591	268,520

Unsatisfied performance obligations
The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was $514,591 as at 31 March 2023 ($268,520 as at 31 March 2022) and is expected to be recognised as revenue in future periods as follows:

	Consolidated 2023 $	2022 $
Within 6 months	277,430	141,020
6 to 12 months	237,161	127,500
	514,591	268,520

Note 13. Current liabilities - lease liabilities

	Consolidated 2023 $	2022 $
Lease liability	136,144	181,743

Note 14. Non-current liabilities - lease liabilities

	Consolidated 2023 $	Consolidated 2022 $
Lease liability	104,506	94,798

Note 15. Equity - issued capital

	Consolidated 2023 Shares	Consolidated 2022 Shares	Consolidated 2023 $	Consolidated 2022 $
Ordinary shares - fully paid	1,144,044,183	354,776,234	107,360,972	103,122,027

Movements in ordinary share capital

Details	**Date**	**Shares**	**Issue price**	**$**
Balance	1 April 2021	193,268,606		98,468,154
Issue of shares on acquisition of Brace168 Pty Ltd (a)	1 April 2021	21,750,000	$0.047	1,022,250
Issue of shares (b)	6 August 2021	26,300,001	$0.027	710,100
Issue of shares (c)	10 August 2021	26,296,296	$0.027	710,000
Conversion of convertible notes with Peak (d)	30 September 2021	28,148,150	$0.027	755,000
Conversion of convertible notes with Variathus (e)	30 September 2021	28,148,150	$0.027	755,000
Brace168 Acquisition contingent consideration transfer from performance rights (f)	30 September 2021	4,480,500	$0.026	116,497
Brace168 Acquisition contingent consideration-earn out (g)	30 September 2021	6,362,310	$0.031	197,232
Issue of shares on acquisition of Peak and Variathus in lieu of brokerage (h)	11 October 2021	6,488,888	$0.027	175,200
Issue of shares on VIT (i)	25 November 2021	10,200,000	$0.039	397,800
Issue of shares on Ben Cowan (VCF Capital) (j)	24 March 2022	3,333,333	$0.024	80,000
Less: share issue costs		-	$0.000	(265,206)
Balance	31 March 2022	354,776,234		103,122,027
Placement of new shares (i)	3 August 2022	30,000,000	$0.005	150,000
Issuance on conversion of convertible bond shares (ii)	5 September 2022	169,330,000	$0.005	846,650
Rights Issue (iii)	8 September 2022	136,487,297	$0.005	682,437
Shortfall shares from above Rights issue (iv)	30 September 2022	138,940,096	$0.005	694,700
Issue of shares in lieu of brokerage fees (v)	22 November 2022	9,350,556	$0.005	46,753
Issued in consideration of the acquisition of Excite IT Pty Ltd (vi)	23 November 2022	100,000,000	$0.010	1,000,000
Issued as consideration for the acquisition of Virtual Information Technology Pty Ltd, following satisfaction of milestone 1 under terms of acquisition contract (vii)	02 February 2023	50,000,000	$0.005	250,000
Placement of new shares (viii)	02 February 2023	155,160,000	$0.005	775,800
Less: Share issue costs		-	$0.000	(207,395)
Balance	31 March 2023	1,144,044,183		107,360,972

Note 15. Equity - issued capital (continued)

During the prior period ended 31 March 2022, the Group completed the following transactions in respect of the issue of ordinary shares:

(a) The Group issued 21,750,000 ordinary shares in the Company totalling $1,022,250 to the vendors of Brace168 in connection with its acquisition by the Company.
(b) The Group issued 26,300,001 ordinary shares in the Company totalling $710,100 to participants in a placement.
(c) The Group issued 26,296,296 ordinary shares in the Company totalling $710,000 to participants in a placement.
(d) The Group issued 27,962,965 ordinary shares in the Company totalling $750,000 to the clients of Peak Asset Management Pty Ltd upon conversion of convertible notes.
(e) The Group issued 27,962,964 ordinary shares in the Company totalling $750,000 to the clients of Variathus Capital Pty Ltd upon conversion of convertible notes.
(f) Performance rights were exercised during the year and a transfer adjustment was recognised between reserves and share capital following the issue of 4,480,500 shares to employees of the Company.
(g) The Group issued 6,362,310 ordinary shares in the Company totalling $197,232 to the vendors of Brace168 for the deferred share milestone one in connection with its acquisition by the Company.
(h) The Group issued 6,488,888 ordinary shares in the Company totalling $175,200 to Peak Asset Management and Variathus Capital in lieu of brokerage fees.
(i) The Group issued 10,200,000 ordinary shares in the Company totalling $397,800 to the vendor of Virtual Information Technology in connection with its acquisition by the Company.
(j) The Group issued 3,333,333 ordinary shares in the Company totalling $80,000 to Ben Cowan of VCF Capital in lieu of fees for Corporate Advisory.

During the current period ended 31 March 2023, the Group completed the following transactions in respect of the issue of ordinary shares:

(i) The Group issued 30,000,000 ordinary shares in the Company totalling $150,000 to participants in a private placement.
(ii) The Group issued 160,000,000 ordinary shares in the company totalling $846,650 as a result of the conversion of convertible bond notes, and a further 9,330,000 issued to brokers in lieu of fees in connection with capital raising
(iii) The Group issued 136,487,297 ordinary shares in the Company totalling $682,437 to participants in a non-renounceable pro-rata rights issue of 2 shares for every 3.
(iv) The Group issued 138,940,096 ordinary shares in the Company totalling $694,700 as part of the non-renounceable rights issue noted above in (iii). These were shortfall shares and were issued by the company to ensure that the Company meets its fundraising conditions in order to proceed with the acquisition of Excite IT.
(v) The Group issued 9,350,556 ordinary shares in the Company totalling $46,753 to the company's brokers in lieu of fees incurred in connection with capital raising.
(vi) The Group issued 100,000,000 ordinary shares in the Company to the value of $1,000,000 to the vendor's of ExciteIT Pty Ltd in consideration for the acquisition of Excite which occured in November 2022.
(vii) The Group issued 50,000,000 ordinary shares in the Company totalling $250,000 to the vendors of Virtual Information Technologies for the deferred share milestone one in connection with its acquisition by the Company.
(viii) The Group issued 155,160,000 ordinary shares in the Company totalling $775,800 to participants in a placement.

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options:
- In relation to the share placements (ii, iii, iv, vi and viii), 2:1 attaching free options totalling 621,687,949 were issued with an exercise price of 0.01 cents and an expiry date of 5 September 2026.

Share buy-back
There is no current on-market share buy-back.

Note 15. Equity - issued capital (continued)

Capital risk management
The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The Group is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The Group is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 31 March 2022 Annual Report.

Note 16. Business combinations

Acquisition of Brace168 Pty Ltd
On 1 April 2021, the Company completed the acquisition of 100% of the shares in Brace168. Brace168 is a managed security service provider, who monitor customer networks, applications and data to identify threats and respond to security incidents. They have a high mix of annuity revenue across large enterprise and small business customers, operating in the financial, property, social and consumer sectors in Australia. Total consideration for the acquisition includes up-front and deferred cash and share based consideration. The total consideration of $4,440,242 is comprised of the following:

- Deferred consideration of $1,000,000 (note 21) due 1 April 2022, of which $450,043 (note 9) is on deposit in escrow; and
- Contingent consideration of two parcels of 7.1m shares, which were contingent on the achievement of revenue performance targets as adjusted at the AGM on 24 September 2021.

Note 16. Business combinations (continued)

Cipherpoint and the managed services business of Brace168 will operate as separate divisions, with common central support functions. Through the reporting period, management of the Company and Brace168 have been working well together on business planning, marketing strategy and integrated support functions. Since acquisition, Brace168 has continued to grow its sales pipeline and deliver strong service revenues.
The acquired business contributed revenues of $3,648,314 and adjusted loss (exclusive of share based payment expense and impairment of goodwill) of $1,029,454 to the Group for the year ended 31 March 2022.
On 1 April 2021, the Company completed the acquisition of 100% of the shares in Brace168. Brace168 is a managed security service provider, who monitor customer networks, applications and data to identify threats and respond to security incidents. They have a high mix of annuity revenue across large enterprise and small business customers, operating in the financial, property, social and consumer sectors in Australia. Total consideration for the acquisition includes up-front and deferred cash and share based consideration. The total consideration of $4,440,242 is comprised of the following:

Details of the acquisition are as follows:

	Fair value **$**
Cash and cash equivalents	146,582
Trade receivables	194,692
Prepayments	10,680
Plant and equipment	13,885
Patents and trademarks	2,142
Trade payables	(47,140)
Other payables	(127,979)
Contract liabilities	(9,764)
Employee benefits	(20,208)
Net assets acquired	162,890
Goodwill	4,277,352
Acquisition-date fair value of the total consideration transferred	4,440,242
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	4,440,242
Less: cash and cash equivalents	(146,582)
Less: deferred consideration payable	(1,000,000)
Less: share-based contingent consideration	(349,892)
Less: shares issued by company as part of consideration	(1,022,250)
Net cash used	1,921,518

Note that $450,000 payable for the Brace168 acquisition was held in escrow at year end (note 9) and released post year end.

Goodwill recognised is attributable to the existing customer base acquired and revenue attributed to it; to the expertise of the two founders, and their team; and to the quality of the Brace168 brand and its reputation in this specific market. Total acquisition costs (including legal and broker fees) paid and expensed to profit and loss was $168,507. The acquisition accounting was final as at 31 March 2022.

Details of shares issued
The issue price of shares was $0.031 per share.

Note 16. Business combinations (continued)

Details of contingent consideration
The Group agreed to issue key Brace168 management two parcels of 7.1m shares to the value of up to A$349,892 based on achievement of two deferred milestone events. The revenue targets for these events were updated at the AGM on 24 September 2021. As a result of the AGM and revenue achieved, the first parcel of 7.1m shares was reduced to 6,362,310 shares, originally valued at $197,232 and was issued on 30 September 2021. The revenue milestone for the second parcel of shares has not been met and the financial liability has been derecognised resulting in a gain of $152,650.

Acquisition of Virtual Information Technology Pty Limited ('VIT' Cyber Security or 'VITCS')
In October 2021, the Company announced the acquisition of Tasmanian based managed security services provider Virtual Information Technology Pty Limited ('VIT Cyber Security' or 'VITCS') for an initial consideration of $700,000 in cash and 10.2 million shares with additional share-based consideration as part of an FY22 and FY23 earn out arrangement. The 10.2 million shares were issued on 25 November 2021 at $0.039 per share, subject to a 6 month escrow period.

The acquired business contributed revenues of $354,461 and adjusted loss (exclusive of share based payment expense and impairment of goodwill) of $152,081 to the Group for the year ended 31 March 2022. If the acquisition occurred on 1 April 2021, the full year contributions would have been revenues of $832,684 and loss after tax of $209,561. The acquisition accounting was final as at 31 March 2022.

Details of the acquisition are as follows:

	Fair value $
Cash and cash equivalents	181,345
Trade receivables	6,926
Inventories	1,285
Prepayments	1,220
Plant and equipment	53,533
Trade payables	(60,616)
Contract liabilities	(85,250)
Secured loans	(60,524)
Net assets acquired	37,919
Goodwill	1,909,881
Acquisition-date fair value of the total consideration transferred	1,947,800
Representing:	
Cash paid or payable to vendor	700,000
Cipherpoint Limited shares issued to vendor	397,800
Contingent share consideration	850,000
	1,947,800
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	1,947,800
Less: cash and cash equivalents	(181,345)
Less: contingent share consideration	(850,000)
Less: shares issued by company as part of consideration	(397,800)
Net cash used	518,655

Note 16. Business combinations (continued)

Acquisition of Excite IT Pty Ltd
On 28 August 2022 Cipherpoint Limited entered into a Binding Term Sheet to acquire 100% of the share capital of Excite IT Pty Limited. The Term Sheet was subsequently completed by all parties and announced to the ASX on 23 November 2022. The acquisition agreement consisted of an initial consideration of $1,250,000 in cash and 100 million shares worth $1,000,000, deferred cash consideration of $500,000 with additional share-based consideration as part of an FY22 and FY23 earn out arrangement. The 100 million shares were issued on 23 November 2022 at $0.01 per share.
Details of the acquisition are as follows:

	Fair value $
Cash and cash equivalents	150,000
Trade receivables	269,388
Fixed Assets	3,992
Trade payables	(154,629)
Other payables	(106,205)
Net assets acquired	162,546
Goodwill	3,042,454
Acquisition-date fair value of the total consideration transferred	3,205,000
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	3,205,000
Less: cash and cash equivalents	(150,000)
Less: contingent consideration	(425,000)
Less: shares issued by company as part of consideration	(1,000,000)
Less: deferred consideration payable	(630,000)
Net cash used	1,000,000

Note 17. Earnings per share

	Consolidated 2023 $	Consolidated 2022 $
Earnings per share for loss from continuing operations		
Loss after income tax attributable to the owners of Cipherpoint Limited	(3,579,750)	(10,313,976)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	684,053,109	288,395,510
Weighted average number of ordinary shares used in calculating diluted earnings per share	684,053,109	288,395,510
	Cents	**Cents**
Basic earnings per share	(0.52)	(3.58)
Diluted earnings per share	(0.52)	(3.58)

	Consolidated 2023 $	Consolidated 2022 $
Earnings per share for profit from discontinued operations		
Profit after income tax attributable to the owners of Cipherpoint Limited	-	1,312,166

Note 17. Earnings per share (continued)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	684,053,109	288,395,510
Weighted average number of ordinary shares used in calculating diluted earnings per share	684,053,109	288,395,510

	Cents	Cents
Basic earnings per share	-	0.45
Diluted earnings per share	-	0.45

	Consolidated 2023 $	2022 $
Earnings per share for loss		
Loss after income tax attributable to the owners of Cipherpoint Limited	(3,579,750)	(9,001,810)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	684,053,109	288,395,510
Weighted average number of ordinary shares used in calculating diluted earnings per share	684,053,109	288,395,510

	Cents	Cents
Basic earnings per share	(0.52)	(3.12)
Diluted earnings per share	(0.52)	(3.12)

The 757,880,743 (2022: 127,768,719) options, employees loan shares and performance rights could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they are antidilutive for the periods presented.

Note 18. Events after the reporting period

Since 31 March 2023 Cipherpoint's progress has continued with new deals and growing partnerships. The Lend Lease Retirement Living Project has evolved into ongoing managed services and additional projects worth $4.1m. May also saw ExciteIT enter into an agreement to provide SOCaaS in the region for customers of the global cyber security company Trend Micro and establishes a new line of business to further diversify the customer base and channels to market.

No other matter or circumstance has arisen since 31 March 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.