

Cipherpoint Limited

ABN 61 120 658 497

Annual Report - 31 March 2023

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Cipherpoint Limited
Directors' report
31 March 2023

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Cipherpoint Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 31 March 2023.

Directors

The following persons were directors of Cipherpoint Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Steven Bliim - Non-Executive Director and Chairman
Bryan Saba - Managing Director (appointed 23 November 2022)
Ken Benson - Non-Executive Director (appointed 10 November 2022)
Graham Mirabito - Non-Executive Director (retired 06 January 2023)
Edward (Ted) Pretty - Managing Director and Chairman (retired 10 November 2022)

Principal activities

The principal activity of the Group is the provision of cyber security services development and data security technology to the enterprise and government sectors.

Dividends

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

Review of operations

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

During the period the Group experienced a restructure phase followed by significant growth with the Group's strategic acquisition of ExciteIT driving solid momentum towards the end of the financial year.

The year began on a positive note, with solid financial performance reflected in customer receipts reaching \$1.305 million. Maintaining a strong cash position of \$784k provided Cipherpoint Group with the means to invest in further growth. Both Brace168 and VIT Cyber Security surpassed their revenue from the prior corresponding period, indicating consistent revenue growth. The company's focus on building customer relationships yielded positive results, securing contract extensions and new contracts for its services.

In the second quarter, the Company faced a slightly tougher market environment resulting in lower sales growth and the loss of a key customer. The Company raised additional funds through a business loan facility extended to the Group from an entity connected with the vendor of Excite IT. Management also initiated a cost reduction program targeting a decrease operating cash outflows. Brace168 and VIT Cyber Security continued to consolidate relationships with existing customers, securing contract extensions and new projects. To further enhance sales performance, the Board planned a comprehensive cost review.

The third quarter, Cipherpoint's cost reduction program continued activities to reduce operating costs by outsourcing various services and introducing efficiencies. Notably, progress in sales and marketing efforts resulted in new customer acquisitions and project expansions. To meet the growing demand for cyber services, the deployment of an additional Security Operations Centre (SOC) in Tasmania was completed.

Notably in November 2022, the Group completed the ExciteIT acquisition, leading to the appointment of Bryan Saba as Managing Director and CEO of Cipherpoint Limited. With additional board renewal, Ted Pretty and Graham Mirabito departed the company, replaced by highly skilled Ken Benson as independent director and long-term non-executive director Steven Bliim moving into the role of Chairman. Major customer wins, including Lend Lease Retirement Living transition project and Healius, were two notable highlights in a substantial increase in the group's customer base.

Finally, in closing out the year, the Company generated its first positive operating cash flow quarter in March 2023, with customer receipts reaching \$3.06 million. While cost improvements continued, direct costs associated with large customer projects offset some of these savings. The Company maintained a cash balance of \$1.253 million at the end of the financial Year.

Cipherpoint operates in the dynamic and ever-evolving market of cyber security and data protection services. The market for these services has experienced significant growth in recent years, driven by the increasing frequency and sophistication of cyber threats and the growing awareness among organizations about the importance of protecting their sensitive data.

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In today's digital landscape, businesses across various industries face constant risks and vulnerabilities, including data breaches, ransomware attacks, and insider threats. As a result, there is a growing demand for comprehensive cyber security solutions that can safeguard valuable information, mitigate risks, and ensure regulatory compliance.

Cipherpoint Group has positioned itself as a trusted provider of cyber security services, leveraging its divisions, Brace168 and VIT Cyber Security, to offer a comprehensive suite of solutions to its clients. The Company's strategic acquisition of ExciteIT further strengthens its market position by expanding its customer base, enhancing its service offerings, and fostering exceptional customer experiences.

While the market for cyber security remains highly competitive, Cipherpoint's ongoing revenue growth, contract wins, and customer expansions throughout the year demonstrate its ability to deliver value and meet the evolving needs of its clients.

With a positive outlook and continued efforts in sales, cost management, and the integration of ExciteIT, Cipherpoint is well-positioned for further growth and success in the coming year.

Significant changes in the state of affairs

In April 2022, the Company completed the sale of selected assets and products from its software division to archTIS Limited. The Company retained a right to resell the products.

During the period the Company raised \$3.196m (before costs) by way of placement, convertible notes and rights issue to be applied to completion of the upgrade to its security operations centre, further investment into business development and the pursuit of potential acquisition opportunities.

There were no other significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year

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.

Likely developments and expected results of operations

The Group will continue to pursue opportunities to deliver its cyber security services to enterprises and the government sector. Operating costs will continue to outpace revenue until sales from current and future contracts commence to generate significant revenue streams and margin improvements can be obtained. The Group has embarked upon a restructuring to reduce its cost base to achieve cash flow breakeven as soon as possible.

Environmental regulation

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

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Information on directors

Name: Steven Bliim
Title: Non-Executive Director (ceased to be Executive Director and Chief Operational Officer (COO) on 21 September 2021) and chairman (appointed on retirement of Edward (Ted) Petty in November 2022).
Experience and expertise: Steven has been with Cipherpoint since 2012 and during this time has played a key role in the Group's expansion into the US, UK and Europe along with the reverse acquisition of Prime Minerals Limited, subsequent re-listing of Cipherpoint Limited on the Australian Securities Exchange and the acquisition of CipherPoint Software Inc.

Prior to joining Cipherpoint, Steven worked in business services and tax advisory for over seven years, consulting primarily to small-to-medium enterprise and primary production businesses.

Steven is a member of Chartered Accountants Australia & New Zealand, and holds a Bachelor of Commerce – Accounting from the University of South Australia.

Other current directorships: None
Former directorships (last 3 years): None
Interests in shares: 6,021,979 ordinary shares
Interests in options: None
Interests in rights: 5,319,560 ordinary shares issued pursuant to employee loan share plan (319,560) and performance rights (5,000,000)

Name: Bryan Saba
Title: Managing Director

Experience and expertise:

Other current directorships:

Former directorships (last 3 years):

Interests in shares: 97,000,000

Name: Ken Benson
Title: Non-Executive Director

Experience and expertise:

Other current directorships:

Former directorships (last 3 years):

Interests in shares: 0

Name: Graham Mirabito
Title: Non-Executive Director (retired 06 January 2023)

Experience and expertise: Graham has over 35 years' experience in the information technology industry including 10 years in engineering and 25 years in sales, marketing, operations, mergers, acquisitions and general management. Graham has held senior roles at Telstra as MD Telstra Europe and EVP Telstra Asia.

Graham's previous role for 12 years was as CEO of RP Data which he took public on the ASX in 2006 and was acquired by strategic shareholder CoreLogic in 2011. His last executive role was as CEO of CoreLogic international and was responsible for operations in Australia, Asia and UK.

Graham holds an Associate Diploma in Electrical Engineering from the Queensland University of Technology.

Other current directorships: None
Former directorships (last 3 years): None
Interests in shares: 2,534,891 ordinary shares
Interests in options: None
Interests in rights: 1,133,300 ordinary shares issued pursuant to employee loan share plan (133,300) and performance rights (1,000,000)

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Name: Edward (Ted) Pretty
Title: Non-Executive Chairman (Retired 10 November 2022)
Experience and expertise: Edward is a widely recognised senior technology and telecommunications executive with significant experience in complex networks, data hosting and security, as well as a deep knowledge of emerging trends in security and information technology.

Joining Cipherpoint as Managing Director and Chief Executive Officer in January 2017, his responsibilities include driving revenue, developing the sales pipeline, guiding new product development and exploring near-term growth opportunities.

Most recently, Edward was a senior adviser at Macquarie Group, supporting principal investments in emerging companies, covering information governance, big data and analytics, security and encryption. His career has included roles such as Group Managing Director of Technology Innovation and Product at Telstra Group, Chairman of Fujitsu Limited, Chairman of ASX-listed NEXTDC Limited and RP Data Limited, Advisory Chairman of Tech Mahindra and Managing Director and Chief Executive Officer of Hills Limited.

Other current directorships: None
Former directorships (last 3 years): None
Interests in shares: 14,140,757 ordinary shares
Interests in options: None
Interests in rights: 6,901,540 ordinary shares issued pursuant to employee loan share plan (1,401,540) and performance rights (5,500,000)

Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary

Patrick Gowans - Company Secretary

Patrick graduated from La Trobe University in 2006 with a Bachelor of Laws/Arts. He was admitted to practice as a lawyer in March 2008. Patrick is currently a Partner of QR Lawyers.

Thomas Carolan - Former Joint Company Secretary (Resigned in August 2022)

Thomas joined the company in July 2021 and was also the CFO. Thomas has a Bachelor of Commerce from The University of Melbourne, a Masters of Business Administration from the Australian Graduate School of Business at UNSW, is a Chartered Accountant and a graduate of the Company Directors Course.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 31 March 2023, and the number of meetings attended by each director were:

	Attended	Held
Steven Bliim	7	7
Bryan Saba	2	2
Ken Benson	2	2
Graham Mirabito	6	6
Edward (Ted) Petty	3	3

Held: represents the number of meetings held during the time the director held office.

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

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The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Consequences of performance on shareholders' wealth
- Additional disclosures relating to KMP

Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation; and
- transparency.

The performance of the Group depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high-quality personnel.

In FY2023, it was the role of the Board to review and make recommendations in relation to the remuneration arrangements for its directors and executives.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design;
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracting and retaining high calibre executives.

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience;
- reflecting competitive reward for contribution to growth in shareholder wealth; and
- providing a clear structure for earning rewards.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors remuneration

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, these directors. The Board decides the total amount paid to each non-executive director as remuneration for their services as a director.

As described in the Long-Term Incentive Plan below, the Board may elect at their discretion to issue share options to non-executive directors in order to attract individuals who bring the necessary leadership and strategic skills to the Group.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting ('AGM') held on 24 September 2021, where the shareholders approved a maximum annual aggregate remuneration of \$527,936

Executive remuneration

The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits;
- short-term performance incentives;
- share-based payments; and
- other remuneration such as superannuation and long service leave.

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Nomination and Remuneration Committee based on individual and business unit performance, the overall performance of the Group and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the Group and provides additional value to the executive.

Equity instruments

(i) Loan funded share plan

In the loan funded share plan, shares are purchased by the participant and funded by a loan provided by the Company. The shares are held by the participant until they vest (or are forfeited) and are eligible for dividends. Should the Company pay dividends or make capital distributions in the future, any dividends paid or distributions made to the participant will be applied to repay the loan and to meet the tax liability on those dividends or distributions.

The loan is for a period of 10 years from issue, is limited recourse and interest free. The loan is repayable in full on the earlier of the termination date of the loan or when the shares are sold.

In the event that the vesting / performance conditions are not met and shares do not vest for any other reason, the shares will be compulsorily acquired by the Company for the value of the outstanding loan.

The shares are forfeited in the event that the participant ceases employment prior to vesting. Where there is a change of control event, the Board may at its discretion make a determination that some or all of a participant's unvested shares may vest.

For accounting purposes, the loan funded share plan is treated and valued as options.

(ii) Share options

Selected KMP are made individual offers of specific numbers of share options at the discretion of the Board. The Board may determine the number of share options, vesting conditions, vesting period, exercise price and expiry date. Share options may be granted at any time, subject to the Corporations Act and ASX Listing Rules.

The grant of share options is designed to attract and provide appropriate incentives to KMP who have recently joined the Group and/or relocated. These share options are subject to time-based vesting. There are no specific performance conditions attached to the vesting of those options as the early stage of the Group's business does not readily allow for the returns and results of the performance by executives to be measured quantitatively on a regular basis.

(iii) Ordinary share issues

The Board may offer KMP incentives that are settled in ordinary shares of the Company from time to time. This assists the Board in balancing the needs of the Company, while providing an appropriate mix of cash and non-cash incentives to KMP.

(iv) Performance rights

Selected KMP are made individual offers of specific numbers of performance rights securities at the discretion of the Board. The Board determines the number of securities, maturity conditions, maturity price, and expiry date. Performance rights are designed to incentivise KMP in the achievement of strategic and operational objectives that deliver enhanced value for shareholders. Performance rights plan facilitates the automatic conversion performance rights securities issued to KMP into ordinary fully paid shares once a set share price has been achieved for a number of days, or if a certain market capitalisation is reached. These securities may be granted at any time, subject to the Corporations Act and ASX Listing Rules.

Short-term incentive plan ('STIP')

KMP are eligible to participate in the STIP in a manner determined by the Board from time to time. Participants in the STIP have a target cash payment which is set as a percentage of their total fixed annual remuneration.

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Payments under the STIP in any given year depend on the achievement of a range of financial and non-financial key performance indicators and objectives ('KPIs') for both the participant and the Group overall. Bonus awards granted to KMP may be settled in either cash or equity instruments of the Company at the discretion of the Board.

Amounts awarded under the STIP to KMP during the year were in connection with the Company achieving revenue targets; securing new customers and contracts; expanding the Company's sales pipeline; delivering new products to market; eliminating technical debt and achieving new product integrations.

Long-term incentive plan ('LTIP')

KMP, including non-executive directors, are eligible to participate in the LTIP as determined by the Board. The LTIP is designed to align the long-term goals of the Group with those of the KMP. The LTIP comprises the share options and loan funded shares.

At the AGM on 24 September 2021, shareholders approved the continuation of the Employee Loan Share Plan ('ELSP'), the Employee Share Option Plan ('ESOP'), and the Performance Rights Plan ('PRP'). The plans were previously adopted at the 2020 AGM on 25 August 2020 and were also refreshed at the general meeting of shareholders on 31 March 2021.

These plans provide the Company with the means to incentivise its KMP with instruments that have the purpose of aligning the medium to long term goals of the Board with the success of the Group, and therefore enhance value for shareholders.

Future grants

The Board may consider amending the vesting terms and the performance hurdles from time to time to ensure that they are aligned to market practices and to ensure the best outcomes for the Group. The Board has the absolute discretion to replace the LTIP in any one or more years with an equivalent LTIP or any other program.

Consolidated entity performance and link to remuneration

Any amount that may be awarded to the participants under the STIP is subject to the absolute discretion of the Board, and will be subject to the approval of the Board, after taking into account performance against KPIs, and any other matters determined by the Board to be relevant at its discretion including, without limitation, the participant's conduct and the financial performance and position of the Group.

Use of remuneration consultants

During the financial year ended 31 March 2022, the Board approved the engagement of Guerdon Associates to provide remuneration recommendations regarding the remuneration mix and quantum for the board and executives.

Both Guerdon Associates and Cipherpoint are satisfied the advice received from Guerdon Associates is free from undue influence from the board and KMP to whom the remuneration recommendations apply.

The remuneration recommendations were provided to the Board as an input into decision making only. The Board considered the recommendations, along with other factors, in making its remuneration decisions.

The fees paid to Guerdon Associates for the remuneration recommendations were \$11,800.

Voting and comments made at the Company's 2022 Annual General Meeting ('AGM')

At the 2022 AGM held in September 2022, 74.52% of the votes received supported the adoption of the remuneration report for the year ended 31 March 2022.

Details of remuneration

Details of the remuneration of the KMP of the Group are set out in the following tables. Remuneration paid in US dollars is converted to Australian dollars using a weighted-average exchange rate determined each month during the year.

The options and rights in the following table include the fair-value expense recognition for the loan funded share plan, share option plan, and performance rights.

Amounts of remuneration

Details of the remuneration of KMP of the Group are set out in the following tables.

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The key management personnel of the Group consisted of the following directors of Cipherpoint Limited:

- Steven Bliim - Non-Executive Director and Chairman
- Bryan Saba - Managing Director (appointed 23 November 2022)
- Ken Benson - Non-Executive Director (appointed 10 November 2022)
- Graham Mirabito – Non-Executive Director
- Edward (Ted) Pretty - Managing Director and Chairman (retired 10 November 2022)

And the following persons as KMP:

- Hugh Stodart – Head of Product and Delivery
- Mark Hitchcock - Chief Operating Officer - VIT
- Greg Bunt - Chief Information Security Officer - Brace168 (resigned 22 June 2022)
- Matthew Miller - Chief Operating Officer - Brace168 (resigned 22 June 2022)
- Thomas Carolan - CFO and Joint Company Secretary (resigned 05 October 2022)

	Cash salary and fees \$	Short-term Consultanc y \$	benefits Cash (allowanc es) \$	Cash bonus ^(a) \$	Super- annuation \$	Long-term Post- employe nt benefits Employee benefits \$	benefits Equity- settled Share- based payments \$	Total \$
2023								
<i>Non-Executive Directors:</i>								
Edward (Ted) Pretty	-	-	2,864	-	-	-	-	2,864
Graham Mirabito	-	-	1,976	-	-	-	-	1,976
Steven Bliim	34,030	-	-	-	-	-	-	34,030
Ken Benson	-	-	-	-	-	-	18,531	18,531
<i>Executive Directors:</i>								
Bryan Saba	85,985	-	-	-	9,029	-	120,000	215,014
<i>Other KMP:</i>								
Hugh Stodart	193,800	-	-	10,000	21,107	-	71,387	296,294
Mark Hitchcock	180,000	-	-	-	18,658	-	57,194	255,852
Greg Bunt	92,686	-	-	-	8,000	-	-	100,686
Matthew Miller	87,602	-	-	-	8,000	-	-	95,602
Thomas Carolan	101,203	-	-	-	8,969	-	-	110,172
	<u>775,306</u>	-	<u>4,840</u>	<u>10,000</u>	<u>73,763</u>	-	<u>267,112</u>	<u>1,131,021</u>

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2022	Cash	Short-term	benefits	Cash bonus ^(a)	Post-employment benefits	Long-term benefits	Share-based payments	Total
	salary and fees	Consultancy	(allowances)		Super-annuation	Employee Benefits	Equity-settled	
	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>								
Edward (Ted) Pretty	120,000	180,000	969	-	-	-	59,125	360,094
Graham Mirabito	88,000	-	-	-	-	-	10,750	98,750
Steven Bliim	49,799	-	504	-	-	-	-	50,303
<i>Executive Directors:</i>								
Steven Bliim	102,305	-	10,178	-	5,597	-	53,750	171,830
<i>Other KMP:</i>								
Hugh Stodart	193,800	-	600	20,000	19,138	-	10,750	244,288
Greg Bunt	200,000	-	600	30,000	19,750	-	53,750	304,100
Matthew Miller	200,000	-	600	30,000	19,750	-	53,750	304,100
Thomas Carolan	121,378	-	450	-	12,138	-	41,450	175,416
Mark Hitchcock	133,219	-	-	-	13,195	-	45,750	192,164
David Grinham	66,187	-	-	-	6,085	-	-	72,272
	1,274,688	180,000	13,901	80,000	95,653	-	329,075	1,973,317

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2023	2022	2023	2022	2023	2022
<i>Non-Executive Directors:</i>						
Edward (Ted) Pretty	100%	84%	-	-	-	16%
Graham Mirabito	100%	89%	-	-	-	11%
Steven Bliim	100%	100%	-	-	-	-
Ken Benson	100%	-	-	-	-	-
<i>Executive Directors:</i>						
Steven Bliim	-	69%	-	-	-	31%
Bryan Saba	44%	-	-	-	56%	-
<i>Other Key Management Personnel:</i>						
Hugh Stodart	72%	87%	4%	8%	24%	5%
Greg Bunt *	78%	72%	-	10%	22%	18%
Matt Miller *	100%	72%	-	10%	-	18%
Thomas Carolan	100%	76%	-	-	-	24%
Mark Hitchcock	100%	76%	-	-	-	24%

Service agreements

Non-executive directors

Non-executive directors do not have fixed term contracts with the Company. On appointment to the Board, all non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation.

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Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name: Steven Bilim
Title: Non-Executive Director
Agreement commenced: November 2019 (ceased as Executive Director, COO and Joint Company Secretary on 21 September 2021)
Term of agreement: No fixed duration
Details: ● Fixed Non-Executive Director's fee of €3,500 per month (AUD \$5,385 per month) from 21 September 2021.

● Entitled to participate in a STIP capped at a maximum of 30% of his fixed annual remuneration based upon achievement of a range of financial and non-financial objectives set in consultation with the Board until ceased date.

● Entitled to Company provided health insurance until ceased date.

Steven or the Company may terminate the employment contract by giving either party 1 months and 2 months written notice, respectively. Under specific circumstances, employment may be terminated by the Company at any time with or without notice (serious misconduct, failure to perform duties, or other specified circumstances).

Name: Ken Benson
Title: Non-Executive Director
Agreement commenced: 09 November 2022
Term of agreement: No fixed term
Details: ● Fixed annual remuneration of \$36,000

Name: Graham Mirabito
Title: Non-Executive Director
Agreement commenced: 1 November 2019 (terminated 6 January 2023).
Term of agreement: No fixed duration
Details: ● Fixed annual remuneration of \$88,000

Name: Edward (Ted) Pretty
Title: Non-Executive Chairman
Agreement commenced: Originally commenced on 23 January 2017. In February 2020, stepped down from an Executive Director role to that of Non-Executive Chairman of the Group. Agreement terminated on 10 November 2022 on Mr. Pretty's retirement.
Term of agreement: An initial term of 12 months
Details: ● Fixed consulting fee of \$10,000 per month or annual remuneration of \$120,000. In December 2021, the consultant fee increased to \$20,000 per month (\$240,000 per annum).
● Fixed monthly director's fee \$10,000.
● Entitled to participation in a STIP based upon achievement of a range

Ted or the Company may terminate the employment contract by giving either party 3 months written notice.

Other KMP

Other KMP have employment contracts setting out the terms and conditions of their employment.

- A base salary denominated in either Australian Dollars or Euros and paid monthly
- For European KMP, payment of health insurance and eligible social security contributions
- Eligibility to participate in the STIP, with target participation in the STIP individually capped at a maximum percentage of total fixed annual remuneration up to 50%
- A grant of loan-share securities over the ordinary shares of Cipherpoint Limited

KMP have no entitlement to termination payments in the event of removal for misconduct.

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Details of these agreements are as follows:

Name: Hugh Stodart
Title: Head of Product and Delivery
Agreement commenced: 1 July 2017 (KMP from 1 April 2019)
Term of agreement: No fixed term
Details:

- Fixed annual remuneration of \$193,800 plus superannuation
- Monthly phone allowance \$50
- Entitled to participation in a STIP based upon achievement of a range of financial and non-financial objectives set in consultation with the Non-Executive Chairman.

Either party may terminate the employment contract by giving six months written notice.

Name: Mark Hitchcock
Title: Chief Operating Officer - VIT
Agreement commenced: 1 November 2021
Term of agreement: No fixed term
Details:

- Fixed annual remuneration of \$180,000 plus superannuation
- Entitled to participation in a STIP based upon achievement of a range of financial and non-financial objectives set in consultation with the Non-Executive Chairman.

Either party may terminate the employment contract by giving six months written notice.

Name: Matthew Miller
Title: Chief Operating Officer - Brace168 (agreement terminated July 2022)
Agreement commenced: 1 April 2021
Term of agreement: No fixed term
Details:

- Fixed annual remuneration of \$200,000 plus superannuation
- Entitled to participation in a STIP based upon achievement of a range of financial and non-financial objectives set in consultation with the Non-Executive Chairman.

Either party may terminate the employment contract by giving six months written notice.

Name: Thomas Carolan
Title: Chief Financial Officer and Joint Company Secretary (agreement terminated October 2022)
Agreement commenced: 23 July 2021
Term of agreement: No fixed term
Details:

- Fixed annual remuneration of \$175,000 plus superannuation
- Entitled to participation in a STIP based upon achievement of a range of financial and non-financial objectives set in consultation with the Non-Executive Chairman.

Either party may terminate the employment contract by giving one month written notice.

Name: Greg Bunt
Title: Chief Information Security Officer - Brace168 (agreement terminated July 2022)
Agreement commenced: 1 April 2021
Term of agreement: No fixed term
Details:

- Fixed annual remuneration of \$200,000 plus superannuation.
- Entitled to participation in a STIP based upon achievement of a range of financial and non-financial objectives set in consultation with the Non-Executive Chairman.

Either party may terminate the employment contract by giving six months written notice.

Share-based compensation

Performance rights

Details of ordinary shares issued to directors and other KMP under performance rights as part of compensation during the year ended 31 March 2023 are set out below:

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31 March 2023

Name	Issue date	Performance rights	Amount per performance right	Term in years	Fair Value (\$)
Ken Benson - Class D	16/11/2022	4,583,334	0.004	5	18,531
Bryan Saba - Class D	30/12/2022	30,000,000	0.004	5	120,000
Hugh Stodart - Class D	30/03/2023	10,000,000	0.006	5	57,194
Mark Hitchcock - Class D	30/03/2023	10,000,000	0.006	5	57,194

Options

There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 31 March 2023.

There were no options over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 31 March 2023.

Additional disclosures relating to KMP

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year (Restated)*	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
Steven Bliim	709,640	-	-	-	709,640
Graham Mirabito	1,401,591	-	300,000	-	1,701,591
Hugh Stodart	233,901	-	-	-	233,901
Mark Hitchcock	10,200,000	-	50,003,460	-	60,203,460
Edward (Ted) Pretty	7,239,217	-	1,557,282	-	8,796,499
Matthew Miller	14,056,155	-	-	(9,238,220)	4,817,935
Greg Bunt	14,056,155	-	-	(14,056,155)	-
Brian Saba	-	-	100,000,000	-	100,000,000
	<u>47,896,659</u>	<u>-</u>	<u>151,860,742</u>	<u>(23,294,375)</u>	<u>176,463,026</u>

* The current year opening balance has been restated so as not to include employee loan shares and performance rights. These are presented separately below.

As at 31 March 2023, the number of ordinary shares above held the above KMP include shares issued under the Employee Loan Share Plan.

The shares held by Edward Pretty, Steven Bliim, Graham Mirabito and Hugh Stodart under the Employee Loan Share Plan are 1,401,540; 319,560; 133,300 and 2,604,190 respectively.

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Performance rights holding

The number of performance rights over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
<i>Performance rights over ordinary shares</i>					
Edward (Ted) Pretty	5,500,000	-	-	-	5,500,000
Steven Bliim	5,000,000	-	-	-	5,000,000
Graham Mirabito	1,000,000	-	-	-	1,000,000
Hugh Stodart	1,000,000	10,000,000	-	(1,000,000)	10,000,000
Greg Bunt	2,500,000	-	-	-	2,500,000
Matthew Miller	2,500,000	-	-	-	2,500,000
Thomas Carolan	1,500,000	-	-	-	1,500,000
Mark Hitchcock	2,500,000	10,000,000	-	-	12,500,000
Bryan Saba	-	30,000,000	-	-	30,000,000
Ken Benson	-	4,583,334	-	-	4,583,334
	<u>21,500,000</u>	<u>54,583,334</u>	<u>-</u>	<u>(1,000,000)</u>	<u>75,083,334</u>

Employee loan share plan holdings

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
<i>Employee loan plan shares</i>					
Edward (Ted) Pretty	1,401,540	-	-	-	1,401,540
Steven Bliim	319,650	-	-	-	372,360
Graham Mirabito	133,300	-	-	-	133,300
Hugh Stodart	2,604,190	3,000,000	-	-	5,604,190
	<u>4,458,680</u>	<u>3,000,000</u>	<u>-</u>	<u>-</u>	<u>7,511,390</u>

Loans to key management personnel and their related parties

During the period ended 31 March 2023 there were no loans granted to KMP and their related parties.

Consequences of performance on shareholders' wealth

In considering the Group's performance and benefits for shareholder's wealth, the Board has regard to the following financial and share price information in respect of the current financial year and the previous four financial years.

The earnings of the Group for the five years to 31 March 2023 are summarised below:

	2023	2022	2021	2020	2019
	\$	\$	\$	\$	\$
Loss attributable to the owners of the company	(3,579,750)	(9,001,810)	(2,946,327)	(673,045)	(8,333,570)
Change in share price	(0.01)	(0.02)	(0.04)	(0.01)	(0.01)

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of Cipherpoint Limited under option at the date of this report are as follows:

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Grant date	Expiry date	Exercise Price	Number under option
08/09/2022	05/09/2026	\$0.010	136,487,297
15/09/2022	05/09/2026	\$0.010	199,330,000
30/09/2022	05/09/2026	\$0.010	138,940,096
22/11/2022	05/09/2026	\$0.010	69,350,556
02/02/2023	05/09/2026	\$0.010	<u>77,580,000</u>
			<u><u>621,687,949</u></u>

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

Shares under Employee loan share plan

Unissued ordinary shares of Cipherpoint Limited under the employee loan share plan at the date of this report are as follows:

Grant date	Expiry date	Exercise Price	Number under rights
02/12/2013	01/12/2023	\$2.940	376,345
20/08/2014	19/08/2024	\$4.000	22,193
31/03/2015	10/03/2025	\$5.700	46,667
12/03/2015	11/03/2025	\$5.700	6,847
08/12/2015	07/12/2015	\$6.600	6,609
27/01/2017	26/01/2027	\$2.400	8,750
04/05/2017	03/05/2027	\$0.580	200,000
04/05/2017	03/05/2027	\$0.540	300,000
23/06/2017	22/06/2027	\$4.000	225,941
24/11/2017	23/11/2027	\$1.100	1,384,905
06/03/2017	05/03/2027	\$1.000	111,953
07/09/2018	06/09/2028	\$0.560	1,403,177
19/10/2018	18/10/2028	\$0.560	383,925
01/11/2019	31/10/2029	\$0.300	133,300
28/10/2020	28/10/2025	\$0.048	2,250,000
01/04/2021	01/04/2026	\$0.312	9,869,000
02/05/2022	02/05/2027	\$0.028	11,580,000
30/03/2023	03/03/2028	\$0.010	<u>20,000,000</u>
			<u><u>48,309,612</u></u>

No person entitled to exercise the performance rights had or has any right by virtue of the performance right to participate in any share issue of the Company or of any other body corporate.

Shares under performance rights

Unissued ordinary shares of Cipherpoint Limited under performance rights at the date of this report are as follows:

	Exercise Price	Number of shares issued
Class A Performance rights - granted on 11/09/2020 (expire on 07/09/2025)	\$0.060	3,125,000
Class B Performance rights - granted on 11/09/2020 (expire on 07/09/2025)	\$0.080	1,562,500
Class C Performance rights - granted on 11/09/2020 (expire on 07/09/2025)	\$0.100	1,562,500
Class C Performance rights - granted on 25/05/2021 (expire on 28/05/2026)	\$0.028	11,250,000
Class C Performance rights - granted on 18/11/2021 (expire on 18/11/2026)	\$0.360	1,000,000
Class C Performance rights - granted on 16/03/2022 (expire on 16/03/2027)	\$0.100	3,000,000
Class C Performance rights - granted on 02/05/2022 (expire on 02/05/2027)	\$0.100	1,000,000
Class D Performance rights - granted on 16/11/2022 (expire on 16/11/2027)	\$0.010	4,583,334
Class D Performance rights - granted on 31/12/2022 (expire on 31/12/2025)	\$0.010	30,000,000
Class D Performance rights - granted on 30/03/2023 (expire on 30/03/2028)	\$0.010	26,000,000
		<u>83,083,334</u>

Shares issued on the exercise of options

There were no ordinary shares of Cipherpoint Limited issued on the exercise of options during the year ended 31 March 2023 and up to the date of this report.

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 23 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 23 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Cipherpoint Limited
Directors' report
31 March 2023

Officers of the company who are former partners of

There are no officers of the company who are former partners of .

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Auditor

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report. This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001. On behalf of the directors

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

For personal use only



27 June 2023

CIPHERPOINT LIMITED
ABN 61 120 658 497

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS CIPHERPOINT LIMITED**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Cipherpoint Limited and controlled entities. As the lead audit partner for the audit of the financial report of Cipherpoint Limited for the year ended 31 March 2023, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.



Anh (Steven) Nguyen
Director
Date: 27 June 2023

Hall Chadwick Melbourne
Level 14 440 Collins Street
Melbourne VIC 3000

Cipherpoint Limited

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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 27 June 2023. The directors have the power to amend and reissue the financial statements.

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Cipherpoint Limited
Statement of profit or loss and other comprehensive income
For the year ended 31 March 2023

	Note	Consolidated 2023 \$	2022 \$
Revenue from continuing operations	5	6,834,830	4,255,425
Expenses			
Software and hardware for resale		(2,215,116)	(799,292)
Employee benefits expense	6	(5,760,142)	(5,039,856)
Depreciation and amortisation expense	6	(358,578)	(172,722)
Impairment of assets	6	-	(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		(979,337)	(942,886)
Interest expense	6	(36,381)	(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	7	-	(24,846)
Loss after income tax expense from continuing operations		(3,579,750)	(10,313,976)
Profit after income tax expense from discontinued operations	8	-	1,312,166
Loss after income tax expense for the year attributable to the owners of Cipherpoint Limited		(3,579,750)	(9,001,810)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
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		<u>(3,319,651)</u>	<u>(8,866,804)</u>
Total comprehensive income for the year is attributable to:			
Continuing operations		(3,319,651)	(8,866,804)
Discontinued operations		-	-
		<u>(3,319,651)</u>	<u>(8,866,804)</u>

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

Cipherpoint Limited
Statement of profit or loss and other comprehensive income
For the year ended 31 March 2023

		Cents	Cents
Earnings per share for loss from continuing operations attributable to the owners of Cipherpoint Limited			
Basic earnings per share	30	(0.52)	(3.58)
Diluted earnings per share	30	(0.52)	(3.58)
Earnings per share for profit from discontinued operations attributable to the owners of Cipherpoint Limited			
Basic earnings per share	30	-	0.45
Diluted earnings per share	30	-	0.45
Earnings per share for loss attributable to the owners of Cipherpoint Limited			
Basic earnings per share	30	(0.52)	(3.12)
Diluted earnings per share	30	(0.52)	(3.12)

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The above statement of profit or loss and 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	9	1,431,346	1,054,674
Prepayments		366,489	66,962
Total current assets		<u>3,049,473</u>	<u>3,015,572</u>
Non-current assets			
Property, plant and equipment	10	181,993	278,952
Right-of-use assets	11	274,553	279,517
Intangibles	12	3,044,596	2,142
Other assets	13	37,003	92,501
Total non-current assets		<u>3,538,145</u>	<u>653,112</u>
Total assets		<u>6,587,618</u>	<u>3,668,684</u>
Liabilities			
Current liabilities			
Trade and other payables	14	2,140,972	1,007,755
Contract liabilities	15	514,591	268,520
Lease liabilities	16	136,144	181,743
Employee benefits		282,111	213,106
Deferred consideration		1,280,000	1,450,000
Total current liabilities		<u>4,353,818</u>	<u>3,121,124</u>
Non-current liabilities			
Borrowings		153,863	-
Lease liabilities	17	104,506	94,798
Employee benefits		106,397	14,458
Deferred consideration		425,000	400,000
Total non-current liabilities		<u>789,766</u>	<u>509,256</u>
Total liabilities		<u>5,143,584</u>	<u>3,630,380</u>
Net assets		<u>1,444,034</u>	<u>38,304</u>
Equity			
Issued capital	18	107,360,972	103,122,027
Reserves	19	4,836,568	4,090,135
Accumulated losses		(110,753,506)	(107,173,858)
Total equity		<u>1,444,034</u>	<u>38,304</u>

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)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 18)	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	<u>103,122,027</u>	<u>4,090,135</u>	<u>(107,173,858)</u>	<u>38,304</u>
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)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 18)	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	<u>107,360,972</u>	<u>4,836,670</u>	<u>(110,753,608)</u>	<u>1,444,034</u>

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	28	(2,000,000)	(2,890,226)
Payments for property, plant and equipment	10	-	(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	18	3,149,587	1,500,100
Proceeds from borrowings		150,000	1,510,000
Share issue transaction costs		(160,642)	-
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		<u>1,251,638</u>	<u>1,893,936</u>

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.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 27.

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.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

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.

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Note 2. Significant accounting policies (continued)

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.

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.

Note 2. Significant accounting policies (continued)

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.

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 and other comprehensive income.

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.

Note 2. Significant accounting policies (continued)

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, its 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.

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.

Note 2. Significant accounting policies (continued)

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.

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.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

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.

Note 2. Significant accounting policies (continued)

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.

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.

Note 2. Significant accounting policies (continued)

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.

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.

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

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.

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.

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. Operating segments

Identification of reportable operating segments

The Group is organised into four operating segments based on acquisition entity: Brace168 Pty Ltd (Brace168), Virtual Information Technology Pty Ltd (VIT), ExcitelIT Pty Ltd and the Corporate entities. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a monthly basis.

Types of products and services

The principal products and services of each of these operating segments are as follows:

Cipherpoint Limited
Notes to the financial statements
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Note 4. Operating segments (continued)

Brace168	the provision of cybersecurity services predominantly in NSW
VIT	the provision of cybersecurity services predominantly in Tasmania
ExciteIT	IT managed services across Australia
Corporate	management of the Group, acquisitions and divestiture, and previously the security software development and sales.

Intersegment transactions

There were no intersegment transactions during the period.

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Major customers

During the year ended 31 March 2023, the Group had 1 major customer that contributed \$2,444,131 to the total Group's external revenue (\$2,444,131 - 34%) (2022: three major customers that contributed \$1,626,647 to the total Group's external revenue (\$782,487 -18%; \$616,420 -15% and \$227,800 -5%).

Operating segment information

Consolidated - 2023	Brace168	VIT	ExciteIT	Corporate	Total
	\$	\$	\$	\$	\$
Revenue					
Sales to external customers	3,094,009	1,206,728	2,360,548	173,545	6,834,830
Total revenue	3,094,009	1,206,728	2,360,548	173,545	6,834,830
EBITDA	(644,785)	(400,340)	275,971	(1,837,686)	(2,606,840)
Depreciation and amortisation	(189,310)	(7,180)	(3,992)	(157,427)	(357,909)
Share based payments	-	-	-	(582,068)	(582,068)
Interest revenue	330	26	-	203	559
Finance costs	(9,186)	(1,594)	(2,353)	(23,350)	(36,483)
Other non-cash expenses	-	2,991	-	-	2,991
Profit/(loss) before income tax expense	(842,951)	(406,097)	269,626	(2,600,328)	(3,579,750)
Income tax expense					-
Loss after income tax expense					(3,579,750)
Assets					
Segment assets	844,945	493,296	1,787,848	13,105,963	16,232,052
Intersegment eliminations					(9,644,434)
Total assets					6,587,618
Liabilities					
Segment liabilities	2,637,541	1,098,388	1,251,880	9,800,209	14,788,018
Intersegment eliminations					(9,644,434)
Total liabilities					5,143,584

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Note 4. Operating segments (continued)

	Brace168	VIT	Corporate	Total
Consolidated - 2022	\$	\$	\$	\$
Revenue				
Sales to external customers	3,648,314	354,461	-	4,002,775
Other income - including COVID-19 stimulus grants	-	-	100,000	100,000
Fair value gain on financial liability	-	-	152,650	152,650
Total revenue	3,648,314	354,461	252,650	4,255,425
EBITDA	(900,668)	(144,089)	(2,307,208)	(3,351,965)
Depreciation and amortisation	(119,080)	(8,009)	(45,633)	(172,722)
Impairment of intangibles	(4,277,352)	(1,909,881)	(15,209)	(6,202,442)
Share based payment expense	-	-	(534,008)	(534,008)
Interest revenue	342	17	1,589	1,948
Finance costs	(10,048)	-	(19,893)	(29,941)
Loss before income tax expense	(5,306,806)	(2,061,962)	(2,920,362)	(10,289,130)
Income tax expense				(24,846)
Loss after income tax expense				(10,313,976)
Assets				
Segment assets	1,175,177	461,344	3,345,704	4,982,225
Intersegment eliminations				(1,313,541)
Total assets				3,668,684
Liabilities				
Segment liabilities	2,132,514	583,119	2,228,288	4,943,921
Intersegment eliminations				(1,313,541)
Total liabilities				3,630,380

Note 5. Revenue

	Consolidated	
	2023	2022
	\$	\$
From continuing operations		
<i>Revenue from contracts with customers</i>		
Revenue - technology related products and services	6,794,149	4,002,775
<i>Other revenue</i>		
Other revenue	40,681	252,650
Revenue from continuing operations	6,834,830	4,255,425

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Note 5. Revenue (continued)

Disaggregation of revenue

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

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

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.

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Note 6. Expenses

	Consolidated	
	2023	2022
	\$	\$
Loss before income tax from continuing operations includes the following specific expenses:		
<i>Depreciation</i>		
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
	<u>358,578</u>	<u>172,722</u>
<i>Impairment</i>		
Goodwill	-	6,187,233
Domain costs	-	15,209
	<u>-</u>	<u>6,202,442</u>
<i>Employee benefit expense</i>		
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
	<u>5,760,142</u>	<u>5,039,856</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	15,642	6,196
Interest and finance charges paid/payable on lease liabilities	20,739	23,745
	<u>36,381</u>	<u>29,941</u>

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Note 7. Income tax expense

	Consolidated	
	2023	2022
	\$	\$
<i>Income tax expense</i>		
Adjustment recognised for current acquisition and prior period	-	24,846
Aggregate income tax expense	<u>-</u>	<u>24,846</u>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense from continuing operations	(3,579,750)	(10,289,130)
Profit before income tax expense from discontinued operations	-	1,312,166
	<u>(3,579,750)</u>	<u>(8,976,964)</u>
Tax at the statutory tax rate of 25%	(894,938)	(2,244,241)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Permanent differences	152,663	1,413,339
Effect of tax losses and temporary differences not taken to account	(71,512)	5,611
Current year losses not recognised	813,787	825,291
	-	-
Adjustment recognised for current acquisition and prior period	-	24,846
Income tax expense	<u>-</u>	<u>24,846</u>

Deferred tax assets have not been recognised in respect of tax losses and temporary differences. Deferred tax assets will be recognised when it becomes probable that future taxable profits will be earned by the Group against which the Group can utilise the benefits therefrom.

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Note 8. Discontinued operations

In September 2021, the Company entered into an agreement to sell select assets and products from its software division to archTIS Limited for a purchase price of \$1,400,000 in cash (\$1,200,000 at execution and \$200,000 as cash contingent on the novation of five contracts by 31 March 2022) . Additional archTIS (AR9) share consideration was settled on the 27 April 2022 in cash for \$107,265, bringing total consideration to \$1,507,265. The Company retained the right to resell the products.

Financial performance information

	Consolidated	
	2023	2022
	\$	\$
Revenue - technology related products and services	-	339,781
Employee benefit expense	-	(593,534)
Recovery of receivables	-	34,548
Legal and professional fees expense	-	(8,402)
Other expenses	-	(159,530)
Total expenses	-	<u>(726,918)</u>
Loss before income tax expense	-	(387,137)
Income tax expense	-	-
Loss after income tax expense	-	<u>(387,137)</u>
Gain on disposal before income tax	-	1,699,303
Income tax expense	-	-
Gain on disposal after income tax expense	-	<u>1,699,303</u>
Profit after income tax expense from discontinued operations	-	<u><u>1,312,166</u></u>

Cash flow information

	Consolidated	
	2023	2022
	\$	\$
Net cash used in operating activities	-	(643,749)
Net cash from investing activities	-	<u>1,400,000</u>
Net increase in cash and cash equivalents from discontinued operations	-	<u><u>756,251</u></u>

Details of the disposal

	Consolidated	
	2023	2022
	\$	\$
Total sale consideration	-	1,400,000
Deferred consideration receivable	-	107,265
Net liabilities disposed	-	<u>192,038</u>
Gain on disposal before income tax	-	<u>1,699,303</u>
Gain on disposal after income tax	-	<u><u>1,699,303</u></u>

Note 9. 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
	<u>1,431,346</u>	<u>1,054,674</u>

* 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 10. 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)
	<u>31,164</u>	<u>58,168</u>
Plant and equipment - at cost	322,141	288,196
Less: Accumulated depreciation	(171,312)	(67,412)
	<u>150,829</u>	<u>220,784</u>
Fixtures and fittings - at cost	88,238	-
Less: Accumulated depreciation	(88,238)	-
	<u>-</u>	<u>-</u>
	<u>181,993</u>	<u>278,952</u>

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 improvement s \$	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 28)	-	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 28)	-	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	<u>31,164</u>	<u>150,829</u>	<u>-</u>	<u>181,993</u>

Note 11. Non-current assets - right-of-use assets

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

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.

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	<u>(118,036)</u>	<u>(7,535)</u>	<u>(125,571)</u>
Balance at 31 March 2022	241,845	37,672	279,517
Additions	321,693	-	321,693
Additions through business combinations (note 28)	-	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	<u>(257,627)</u>	<u>(3,992)</u>	<u>(261,619)</u>
Balance at 31 March 2023	<u><u>274,553</u></u>	<u><u>-</u></u>	<u><u>274,553</u></u>

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 12. Non-current assets - intangibles

	Consolidated	
	2023	2022
	\$	\$
Goodwill - at cost	10,077,662	7,035,208
Less: Accumulated amortisation	<u>(7,035,208)</u>	<u>(7,035,208)</u>
	<u>3,042,454</u>	<u>-</u>
Patents and trademarks - at cost	<u>2,142</u>	<u>2,142</u>
Domain names - at cost	-	15,209
Less: Accumulated amortisation	<u>-</u>	<u>(15,209)</u>
	<u>-</u>	<u>-</u>
	<u><u>3,044,596</u></u>	<u><u>2,142</u></u>

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 28)	6,187,233	-	-	6,187,233
Impairment of assets	<u>(6,187,233)</u>	<u>-</u>	<u>(15,209)</u>	<u>(6,202,442)</u>
Balance at 31 March 2022	-	2,142	-	2,142
Additions through business combinations (note 28)	<u>3,042,454</u>	<u>-</u>	<u>-</u>	<u>3,042,454</u>
Balance at 31 March 2023	<u><u>3,042,454</u></u>	<u><u>2,142</u></u>	<u><u>-</u></u>	<u><u>3,044,596</u></u>

Impairment testing

The recoverable amount of the Group's goodwill, acquired via the acquisition of ExciteIT Pty Ltd, has been determined by a value-in-use calculation using the discounted annualised revenue of ExciteIT to June 2023 and extrapolated for a further 5 year period using a steady rate, together with a terminal value. The goodwill acquired via the acquisition of Brace168 and Virtual Information Technology (VIT) in the previous year was written off fully in FY22.

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 ExciteIT acquisition:

- 3.71% pre-tax discount rate;
- Revenue growth rates of 5%; and
- Margin of 7.58% on discounted revenue

The discount rate of 3.71% 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 5% revenue growth rate is prudent and justified based on the projected growth in the cyber-security market.

There were no other key assumptions.

Sensitivity

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

Note 13. Non-current assets - other

	Consolidated	
	2023	2022
	\$	\$
Security deposits	31,803	87,301
Other deposits	5,200	5,200
	<u>37,003</u>	<u>92,501</u>

Note 14. Current liabilities - trade and other payables

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

Refer to note 21 for further information on financial instruments.

Note 15. Current liabilities - contract liabilities

	Consolidated	
	2023	2022
	\$	\$
Contract liabilities	<u>514,591</u>	<u>268,520</u>

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 28)	-	95,014
Transfer to revenue - performance obligations satisfied	(317,970)	(3,710,582)
Amounts transferred as part of the sale of software assets	<u>(1,827,226)</u>	<u>(192,038)</u>
Closing balance	<u>514,591</u>	<u>268,520</u>

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
	<u>514,591</u>	<u>268,520</u>

Note 16. Current liabilities - lease liabilities

	Consolidated	
	2023	2022
	\$	\$
Lease liability	<u>136,144</u>	<u>181,743</u>

Refer to note 21 for further information on financial instruments.

Note 17. Non-current liabilities - lease liabilities

	Consolidated	
	2023	2022
	\$	\$
Lease liability	<u>104,506</u>	<u>94,798</u>

Refer to note 21 for further information on financial instruments.

Note 18. Equity - issued capital

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

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Note 18. Equity - issued capital (continued)

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) 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	<u>1,144,044,183</u>		<u>107,360,972</u>

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

Note 18. Equity - issued capital (continued)

- (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 occurred 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.

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.

Note 18. Equity - issued capital (continued)

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 19. Equity - reserves

	Consolidated	
	2023	2022
	\$	\$
Foreign currency reserve	(80,589)	(340,387)
Share-based payments reserve	<u>4,917,157</u>	<u>4,430,522</u>
	<u><u>4,836,568</u></u>	<u><u>4,090,135</u></u>

Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

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Note 19. Equity - reserves (continued)

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Foreign Currency \$	Share Based Payments \$	Total \$
Balance at 1 April 2021	(475,393)	4,033,243	3,557,850
Foreign currency translation	135,006	-	135,006
Share-based payments - share options	-	(10,620)	(10,620)
Share-based payments - employee loan shares	-	216,686	216,686
Share-based payments -performance rights	-	317,322	317,322
Share-based payments - performance rights - conversion	-	(107,500)	(107,500)
Share options consulting	-	(108,609)	(108,609)
Share options - brokers	-	90,000	90,000
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2022	(340,387)	4,430,522	4,090,135
Foreign currency translation	260,099	-	260,099
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)
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2023	<u>(80,288)</u>	<u>4,916,958</u>	<u>4,836,670</u>

Note 20. Equity - dividends

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

Note 21. Financial instruments

Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program seeks to minimise potential adverse effects on the financial performance of the Group.

The Group's policy is not to trade in or use financial instruments to hedge its risks.

Risk management is carried out by the Board of Directors ('the Board'). The Board uses different methods to measure different types of risks to which the Group is exposed. These methods include ageing analysis for credit risk and sensitivity analysis in the case of foreign currency risk and interest rate risk.

Market risk

Foreign currency risk

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The Group was previously exposed to currency risk to the extent that there was a mismatch between the currencies in which sales, purchases and borrowings are denominated and the respective functional currencies of Group companies. The currencies in which transactions were denominated were primarily US dollars (USD), Australian dollars (AUD), British pounds (GBP) and Euros (EUR), whilst cash and cash equivalents and term deposits are predominantly denominated in Australian dollars.

Note 21. Financial instruments (continued)

The carrying amount of the Group's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

Consolidated	Assets		Liabilities	
	2023 \$	2022 \$	2023 \$	2022 \$
US dollars	76,471	56,524	-	(30,994)
Euros	2,591	47,171	-	-
Pound Sterling	4,708	30,667	-	-
	<u>83,770</u>	<u>134,362</u>	<u>-</u>	<u>(30,994)</u>

A strengthening/(weakening) of the AUD against the GBP, USD or EUR by 10 percent at the reporting date would have decreased/(increased) equity and profit/(loss) for the year by the amounts shown. This analysis assumes that all other variables, in particular interest rates, remain constant.

Consolidated - 2023	% change	AUD strengthened		% change	AUD weakened	
		Effect on profit before tax	Effect on equity		Effect on profit before tax	Effect on equity
USD	10%	7,647	7,647	10%	(7,647)	(7,647)
EUR	10%	259	259	10%	(259)	(259)
GBP	10%	471	471	10%	(471)	(471)
		<u>8,377</u>	<u>8,377</u>		<u>(8,377)</u>	<u>(8,377)</u>

Consolidated - 2022	% change	AUD strengthened		% change	AUD weakened	
		Effect on profit before tax	Effect on equity		Effect on profit before tax	Effect on equity
USD	10%	2,553	1,915	10%	(2,553)	(1,915)
EUR	10%	4,717	3,538	10%	(4,717)	(3,538)
GBP	10%	3,067	2,300	10%	(3,067)	(2,300)
		<u>10,337</u>	<u>7,753</u>		<u>(10,337)</u>	<u>(7,753)</u>

Price risk

The Group is not exposed to any significant price risk.

Interest rate risk

At the reporting date, the Group had no variable rate borrowings. Cash at bank earns interest at floating rates based on daily bank deposit rates.

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Note 21. Financial instruments (continued)

As at the reporting date, the Group had the following exposure to interest rate risk:

Consolidated	2023		2022	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Bank overdraft and bank loans	0.01%	1,251,638	0.01%	1,893,936
Term deposits and rental bonds	0.20%	<u>31,803</u>	0.20%	<u>76,876</u>
Net exposure to cash flow interest rate risk		<u><u>1,283,441</u></u>		<u><u>1,970,812</u></u>

Sensitivity Analysis

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit/(loss) for the period by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for the comparative period.

	Consolidated	
	2023	2022
	\$	\$
Impact on profit/(loss) for the period	12,834	19,563

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Liquidity risk

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Note 21. Financial instruments (continued)

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2023	Weighted average interest rate %	6 months or less \$	Between 6 months and 1 year \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Non-derivatives							
<i>Non-interest bearing</i>							
Trade payables	-	2,140,972	-	-	-	-	2,140,972
<i>Interest-bearing - variable</i>							
Lease liability	3.75%	68,072	68,072	104,506	-	-	240,650
Total non-derivatives		<u>2,209,044</u>	<u>68,072</u>	<u>104,506</u>	<u>-</u>	<u>-</u>	<u>2,381,622</u>

Consolidated - 2022	Weighted average interest rate %	6 months or less \$	Between 6 months and 1 year \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Non-derivatives							
<i>Non-interest bearing</i>							
Trade payables	-	1,007,755	-	-	-	-	1,007,755
<i>Interest-bearing - variable</i>							
Lease liability	3.75%	10,986	231,066	34,489	-	-	276,541
Total non-derivatives		<u>1,018,741</u>	<u>231,066</u>	<u>34,489</u>	<u>-</u>	<u>-</u>	<u>1,284,296</u>

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 22. Fair value measurement

Fair value hierarchy

The following tables detail the Group's assets and liabilities, measured or disclosed 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

Level 3: Unobservable inputs for the asset or liability

Consolidated - 2023	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Liabilities</i>				
Deferred consideration payable	-	1,705,000	-	1,705,000
Total liabilities	<u>-</u>	<u>1,705,000</u>	<u>-</u>	<u>1,705,000</u>

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Note 22. Fair value measurement (continued)

Consolidated - 2022	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Assets</i>				
Deferred consideration receivable	-	557,331	-	557,331
Total assets	-	557,331	-	557,331
<i>Liabilities</i>				
Deferred consideration payable	-	1,850,000	-	1,850,000
Total liabilities	-	1,850,000	-	1,850,000

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Note 23. Remuneration of auditors

For the 2022 financial year Nexia Sydney Audit Pty Ltd acted as auditors of the company. In 2023 they resigned and Hall Chadwick was appointed in their place. During the financial year the following fees were paid or payable for services provided by the auditor of the company:

	Consolidated	
	2023	2022
	\$	\$
<i>Audit services</i>		
Hall Chadwick	65,000	-
Nexia Sydney Audit Pty Ltd	-	85,000
	<u>65,000</u>	<u>85,000</u>

Note 24. Contingent liabilities

The Group had no contingent liabilities as at 31 March 2023 and 31 March 2022.

Note 25. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	Consolidated	
	2023	2022
	\$	\$
Short-term employee benefits	790,146	1,548,589
Post-employment benefits	73,763	95,653
Share-based payments	267,112	329,075
	<u>1,131,021</u>	<u>1,973,317</u>

Note 26. Related party transactions

Parent entity

Cipherpoint Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 29.

Key management personnel

Disclosures relating to key management personnel are set out in note 25 and the remuneration report included in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2023	2022
	\$	\$
Sale of goods and services:		
Sale of goods to other related party *	-	9,250
Sale of services to other related party	-	40,400

* Related party is Insicon Pty Ltd which is owned by the Brace168 founders. As a part of the Brace168 acquisition, some contracts and staff required novation

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

As at the reporting date there was a related party loan of \$153,000 in place between Cipherpoint Limited and IT Cloud, an entity owned and controlled by Bryan Saba who is a Director of Cipherpoint.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 27. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	Parent
	2023	(Restated)*
	\$	\$
Loss after income tax	(1,381,048)	(6,408,768)
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income	(1,381,048)	(6,408,768)

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Note 27. Parent entity information (continued)

Statement of financial position

	Parent 2023 \$	Parent (Restated) 2022 \$
Total current assets	253,701	1,745,169
Total non-current assets	13,028,446	8,140,832
Total assets	13,282,147	9,886,001
Total current liabilities	1,422,733	483,898
Total non-current liabilities	559,186	1,562,003
Total liabilities	1,981,919	2,045,901
Net assets	<u>11,300,228</u>	<u>7,840,100</u>
Equity		
Issued capital	107,360,972	103,122,027
Foreign currency reserve	(80,589)	-
Share-based payments reserve	4,917,157	4,430,522
Accumulated losses	(100,897,312)	(99,712,449)
Total equity	<u>11,300,228</u>	<u>7,840,100</u>

The prior year figures have been restated so that only Cipherpoint Limited has been included.

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 31 March 2023 and 31 March 2022.

Contingent liabilities

The parent entity had no contingent liabilities as at as at 31 March 2023 and 31 March 2022.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 31 March 2023 and 31 March 2022.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 28. 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:

Note 28. Business combinations (continued)

- 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.

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	<u>(20,208)</u>
Net assets acquired	162,890
Goodwill	<u>4,277,352</u>
Acquisition-date fair value of the total consideration transferred	<u><u>4,440,242</u></u>
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	<u>(1,022,250)</u>
Net cash used	<u><u>1,921,518</u></u>

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 28. 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)
	<hr/>
Net assets acquired	37,919
Goodwill	1,909,881
	<hr/>
Acquisition-date fair value of the total consideration transferred	<u>1,947,800</u>
Representing:	
Cash paid or payable to vendor	700,000
Cipherpoint Limited shares issued to vendor	397,800
Contingent share consideration	850,000
	<hr/>
	<u>1,947,800</u>
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)
	<hr/>
Net cash used	<u>518,655</u>

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Note 28. 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)
	<hr/>
Net assets acquired	162,546
Goodwill	3,042,454
	<hr/>
Acquisition-date fair value of the total consideration transferred	<u>3,205,000</u>
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)
	<hr/>
Net cash used	<u>1,000,000</u>

Note 29. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2023	2022
		%	%
CipherPoint Software, Inc	United States of America	100.00%	100.00%
Cipherpoint Australia Pty Limited	Australia	100.00%	100.00%
Cipherpoint GmbH	Germany	100.00%	100.00%
Brace168 Pty Ltd	Australia	100.00%	100.00%
Virtual Information Technology Pty Limited	Australia	100.00%	100.00%
ExciteIT Pty Ltd	Australia	100.00%	-

Note 30. Earnings per share

	Consolidated	
	2023	2022
	\$	\$
<i>Earnings per share for loss from continuing operations</i>		
Loss after income tax attributable to the owners of Cipherpoint Limited	<u>(3,579,750)</u>	<u>(10,313,976)</u>

Note 30. 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	(0.52)	(3.58)
Diluted earnings per share	(0.52)	(3.58)

	Consolidated	
	2023	2022
	\$	\$

Earnings per share for profit from discontinued operations

Profit after income tax attributable to the owners of Cipherpoint Limited	-	1,312,166
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	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)
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	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 31. Share-based payments

The Group has a share option programme that entitles directors, employees and contractors to purchase shares in the Company. In accordance with this programme, holders of vested options are entitled to purchase shares in the Company at a price per share as detailed below. Awarding of options is at the discretion of the Directors under approved provisions granted at General Meetings.

Note 31. Share-based payments (continued)

Set out below are summaries of options granted under the plan:

Employee Share Option Plan ('ESOP')

2023

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/Lapsed	Balance at the end of the year
04/05/2017	04/05/2022	\$4.000	40,000	-	-	(40,000)	-
22/06/2017	21/06/2022	\$1.000	14,000	-	-	(14,000)	-
17/08/2017	17/08/2022	\$0.900	50,000	-	-	(50,000)	-
17/08/2017	23/11/2022	\$0.900	278,480	-	-	-	278,480
07/09/2018	06/09/2023	\$0.560	580,600	395,550	-	-	976,150
28/10/2020	28/10/2025	\$0.048	4,500,000	-	-	-	4,500,000
			<u>5,463,080</u>	<u>395,550</u>	<u>-</u>	<u>(104,000)</u>	<u>5,754,630</u>

2022

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/Lapsed	Balance at the end of the year
21/07/2016	20/07/2021	\$3.900	7,500	-	-	7,500	-
04/05/2017	04/05/2022	\$4.000	40,000	-	-	-	40,000
22/06/2017	21/06/2022	\$1.000	14,000	-	-	-	14,000
17/08/2017	17/08/2022	\$0.900	50,000	-	-	-	50,000
17/08/2017	17/06/2022	\$0.900	278,480	-	-	-	278,480
07/09/2018	06/09/2023	\$0.560	580,600	-	-	-	580,600
28/10/2020	28/10/2023	\$0.048	4,500,000	-	-	-	4,500,000
			<u>5,470,580</u>	<u>-</u>	<u>-</u>	<u>7,500</u>	<u>5,463,080</u>

The weighted average remaining contractual life of options outstanding at the end of the financial period was 4 years.

The options that expired during the period relate to the options of entitled employees deciding not to proceed in purchasing their options at the pre determined exercise price. As the expiry date passed during the period, these options are now lapsed and can no longer be taken up.

Note 31. Share-based payments (continued)

During the year ended 31 March 2023 11,580,000 ordinary shares in the Company were granted under the ELSP to employees as bonus remuneration (2022: 9,869,000).

Performance rights

2023

Tranche	Grant Date	Expiry date	Exercise price	Balance at the start of the period	Granted	Exercised	Expired/forfeited/other	Balance at the end of the period
Class A	01/01/2015	01/01/2015	0.060	3,125,000	-	-	-	3,125,000
Class B	01/01/2015	01/01/2015	0.080	1,562,500	-	-	-	1,562,500
Class C	01/01/2015	01/01/2015	0.100	1,562,500	-	-	-	1,562,500
Class C (Type 1)	01/01/2015	01/01/2015	0.028	11,250,000	-	-	-	11,250,000
Class C (Type 2)	01/01/2015	01/01/2015	0.036	1,000,000	-	-	-	1,000,000
Class C (Type 3)	01/01/2015	01/01/2015	0.022	3,000,000	-	-	-	3,000,000
Class C (Type 3)	01/01/2015	01/01/2015	0.028	1,000,000	-	-	-	1,000,000
	01/01/2015	01/01/2015	-	-	30,000,000	-	-	26,000,000
	01/01/2015	01/01/2015	-	-	4,583,334	-	-	4,583,334
	01/01/2015	01/01/2015	-	-	26,000,000	-	-	30,000,000
			<u>0.354</u>	<u>22,500,000</u>	<u>60,583,334</u>	<u>-</u>	<u>-</u>	<u>83,083,334</u>

2022

Tranche	Grant date	Expiry date	Exercise Price	Balance at the start of the period	Granted	Exercised	Expired/forfeited/other	Balance at the end of the period
Class A	01/01/2015	01/01/2015	0.060	3,125,000	-	-	-	3,125,000
Class B	01/01/2015	01/01/2015	0.080	1,562,500	-	-	-	1,562,500
Class C	01/01/2015	01/01/2015	0.100	1,562,500	-	-	-	1,562,500
Class C (Type 1)	01/01/2015	01/01/2015	0.028	-	11,250,000	-	-	11,250,000
Class C (Type 2)	01/01/2015	01/01/2015	0.036	-	1,000,000	-	-	1,000,000
Class C (Type 3)	01/01/2015	01/01/2015	0.022	-	3,000,000	-	-	3,000,000
			<u>0.326</u>	<u>6,250,000</u>	<u>15,250,000</u>	<u>-</u>	<u>-</u>	<u>21,500,000</u>

For the performance rights granted during the current financial period, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected Volatility %	Dividend yield	Risk free interest rate %	Fair value at grant date \$
21/05/2021	21/05/2026	0.028	0.010	80.00%	-	0.68%	0.021

Note 31. Share-based payments (continued)

Share-based payment expense recognised in profit or loss

	Consolidated	
	2023	2022
	\$	\$
Options granted	-	87,448
Employee loan share plan shares granted	278,433	129,238
Performance rights granted	303,635	317,322
	<u>582,068</u>	<u>534,008</u>
Total recognised as employee benefits expense	<u>582,068</u>	<u>534,008</u>

Note 32. 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.

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Cipherpoint Limited
Directors' declaration
31 March 2023

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 March 2023 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



A handwritten signature in black ink, appearing to read 'S. Blin', is written over a horizontal line.

27 June 2023

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CIPHERPOINT LIMITED
ABN 61 120 658 497

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHIPHERPOINT LIMITED

REPORT ON THE AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS

Report on the Financial Report

Opinion

We have audited the financial report of Cipherpoint Limited (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 31 March 2023, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion the accompanying financial report of Cipherpoint Limited is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 March 2023 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm the independence declaration required by the *Corporations Act 2001*, has been given to the directors of the company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial report, which indicates that the company incurred a net loss after tax of \$3,579,750 during the year ended 31 March 2023 and net operating cash outflows of \$1,804,294, as of that date; As stated in Note 2 these conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report. Our opinion is not modified in respect of this matter.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CIPHERPOINT LIMITED

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the year ended 31 March 2023. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
<p>Share Based Payments <i>Refer to Notes 18 (Reserves) and 31 (Shares-based payments)</i></p> <p>The Group has issued a number of share-based payments in the current and previous years, including Performance Right which include future market price targets.</p> <p>We consider share-based payments to be a key audit matter due to:</p> <ul style="list-style-type: none"> • The complexity in the calculation of the Performance Rights; • Share-based payments expense represents a material expense during the year and a material component of Key Management Personnel Remuneration. 	<p>In addressing this, we have performed the following:</p> <ul style="list-style-type: none"> • Reviewed accounting policy to ensure compliance with AASB 2 <i>Shares-based Payment</i>; • Reviewed share based agreements signed between the Group and its employees, directors and consultants; • Reviewed the external evaluator's report and the pricing model used to ascertain reasonableness in measuring the fair value of the cost of equity settled transactions at the date of grant; and • Sample testing of share based forfeitures to ensure that these are recognised in accordance with AASB 2 <i>Shares-based Payment</i>

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
<p>Business Combinations <i>Refer to Note 28 'Business combinations'</i></p> <p>During the year the group acquired Excite IT Pty Ltd. As a result, there was goodwill on acquisition amounting to \$3,042,454.</p> <p>We consider the above business acquisitions to be a key audit matter due to:</p> <ul style="list-style-type: none"> • The complexity in the calculations of the business acquisitions due to the deferred considerations component paid/payable being based on future earn-out targets being met. 	<p>In addressing this, we have performed the following:</p> <ul style="list-style-type: none"> • Reviewed the purchase agreement and assessed whether the acquisition is a share or asset purchase; • Identified and confirmed the consideration provided in relation to the acquisition; • Assessed the fair value of the assets acquired as part of the acquisition; • Performed a recalculation of Goodwill/gain on purchase to ensure that the amount is reflected accurately in the financial statements; and • Ensured that the disclosure requirements of AASB 3 <i>Business Combinations</i> is presented accurately in the financial statements.

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Key Audit Matter	How Our Audit Addressed the Key Audit Matter
<p>Impairment testing of goodwill <i>Refer to Note 12 'Intangibles'</i></p> <p>The goodwill was recognized from Excite IT Pty Ltd acquisitions (refer above business acquisitions key audit matter).</p> <p>We consider the above to be a key audit matter due to:</p> <ul style="list-style-type: none"> • Its importance to the intended users' understanding of the financial report as a whole, in the particular, its materiality to the financial report. 	<p>In addressing this, we have performed the following:</p> <ul style="list-style-type: none"> • Identified any impairment indicators to date in relation to the goodwill recognized; • Obtained the client's impairment assessment and assessed for reasonability; • Identified the key assumptions used in the client's assessment and review for any inconsistencies that are not in line with our understanding; • Performed sensitivity analysis on the impairment assessments to identify whether there is a sufficient headroom in various scenarios; and • Reviewed the disclosures of goodwill impairment assessment including key assumptions used in the impairment models in the financial report were appropriate.

Information Other Than The Financial Report And Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 March 2023, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on the Remuneration Report

We have audited the remuneration report included in pages 7 to 13 of the directors' report for the year ended 31 March 2023.

In our opinion, the remuneration report of Cipherpoint Limited, for the year ended 31 March 2023, complies with 300A of the Corporations Act 2001

Responsibilities

The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.



Anh (Steven) Nguyen
Director

Hall Chadwick Melbourne Audit
Level 14 440 Collins Street
Melbourne VIC 3000

Date: 27 June 2023

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Cipherpoint Limited
Shareholder information
31 March 2023

The shareholder information set out below was applicable as at 27 June 2023.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Ordinary shares		Options over ordinary shares		Performance rights over ordinary shares	
	Number of holders	% of total shares issued	Number of holders	% of total shares issued	Number of holders	% of total shares issued
1 to 1,000	977	0.03	21	-	-	-
1,001 to 5,000	470	0.10	22	0.01	-	-
5,001 to 10,000	173	0.12	18	0.02	-	-
10,001 to 100,000	563	1.92	62	0.42	-	-
100,001 and over	413	97.83	130	99.55	18	100.00
	<u>2,596</u>	<u>100.00</u>	<u>253</u>	<u>100.00</u>	<u>18</u>	<u>100.00</u>
Holding less than a marketable parcel at \$0.006 (share)	<u>704</u>	<u>0.01</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	% of total shares issued
	Number held	
10 BOLIVIANOS PTY LTD	126,206,814	11.03
BNP PARIBAS NOMINEES PTY LTD IB AU NOMS RETAILCLIENT DRP	107,204,013	9.37
KYRIACO BARBER PTY LTD	82,523,280	7.21
NINA SABA	66,666,667	5.83
MARK EDWARD HITCHCOCK	60,200,000	5.26
GE EQUITY INVESTMENTS PTY LTD	55,650,000	4.86
MIR AMARANDHAR REDDY KOTHA	53,000,000	4.63
ALTOR CAPITAL MANAGEMENT PTY LTD ALTOR ALPHA FUND A/C	30,701,516	2.68
BRYAN SABA	28,333,333	2.48
MR MICHAEL FRANCIS MCMAHON & MRS SUSAN LESLEY MCMAHON MCMAHON SUPER A/C	21,118,519	1.85
MGL CORP PTY LTD	20,000,000	1.75
KYRIACO BARBER PTY LTD	15,581,949	1.36
MR CHARBEL AZZI	13,652,889	1.19
PECKLYN PTY LTD G & L PECK SUPER FUND A/C	13,416,666	1.17
MR JOHN PIERRE ABI-YOUNES	12,650,000	1.11
MR SALVATORE DI VINCENZO	11,913,305	1.04
SJ FUND PTY LTD S J SUPERFUND A/C	11,250,334	0.98
MARKWELL HOLDINGS PTY LTD MARKWELL HOLDINGS S/F A/C	10,550,000	0.92
MR TREVOR KJELL GIACOMETTI LINLONG INVESTMENT A/C	10,500,000	0.92
G & L PECK PTY LTD G & L PECK FAMILY A/C	10,400,394	0.91
	<u>761,519,679</u>	<u>66.55</u>

Cipherpoint Limited
Shareholder information
31 March 2023

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	669,750,389	253
Employee share loan plan shares over ordinary shares issued	39,373,250	44
Performance rights	83,033,334	18

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares % of total shares issued
	Number held
10 BOLIVIANOS PTY LTD	117,437,228
BRYAN SABA AND NINA SABA	95,000,000
CARL CHARALAMBOUS	64,171,620
MARK EDWARD HITCHCOCK	60,200,000
MR AMARANDHAR REDDY KOTHA	50,000,000

The above shareholdings are based on the most recently available notice of interest of substantial shareholder reports.

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

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.

There are no other classes of equity securities.

On-Market Buyback

There is no current on-market buyback.