Cirralto Limited

ABN 67 099 084 143

Appendix 4E – Unaudited Preliminary Final Report

For the year ended 30 June 2020

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1. Company details

Name of entity:	Cirralto Limited
ABN:	67 099 084 143
Reporting period:	For the year ended 30 June 2020
Previous period:	For the year ended 30 June 2019

2. Results for announcement to the market

	2020 ($)	2019 ($)	Movement ($)	%
Revenues from ordinary activities	462,128	670,732	(208,604)	(31%)
Loss from ordinary activities after tax attributable to the owners of Cirralto Limited	(3,560,724)	(6,037,037)	2,476,313	(41%)

3. Net tangible assets

	2020 ($)	2019 ($)
Net tangible assets (liabilities) per ordinary security	(0.0048)	(0.0001)

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

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

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

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9. Compliance Statement

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

10. Audit qualification or review

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

11. Attachments

The unaudited preliminary Financial Report of Cirralto Limited for the year ended 30 June 2020.

Signed on behalf of Cirralto Limited



Justyn Stedwell
Company Secretary
Date: 31 August 2020

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Commentary on results
For the year ended 30 June 2020

Cirralto Limited (referred to as "Cirralto" or the "Company") is a company listed by shares, incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX: CRO). The consolidated financial statements of the Company as at and for the year ended 30 June 2020 comprises the Company and its subsidiaries (collectively referred to as the "Group".)

The unaudited financial statements present the consolidated results of the Company and its subsidiaries for the year ended 30 June 2020.

This financial report has been prepared in accordance with International Financial Reporting Standards, other authoritative pronouncements and Interpretations of the Australian Accounting Standards Board and the Corporations Act 2001. This financial report does not include all the notes of the type normally included in an annual report. Accordingly, this report is to be read in conjunction with the Interim Financial Report for the period ended 31 December 2019 and any public announcements made by Cirralto Limited during the reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

Operating and Financial Review

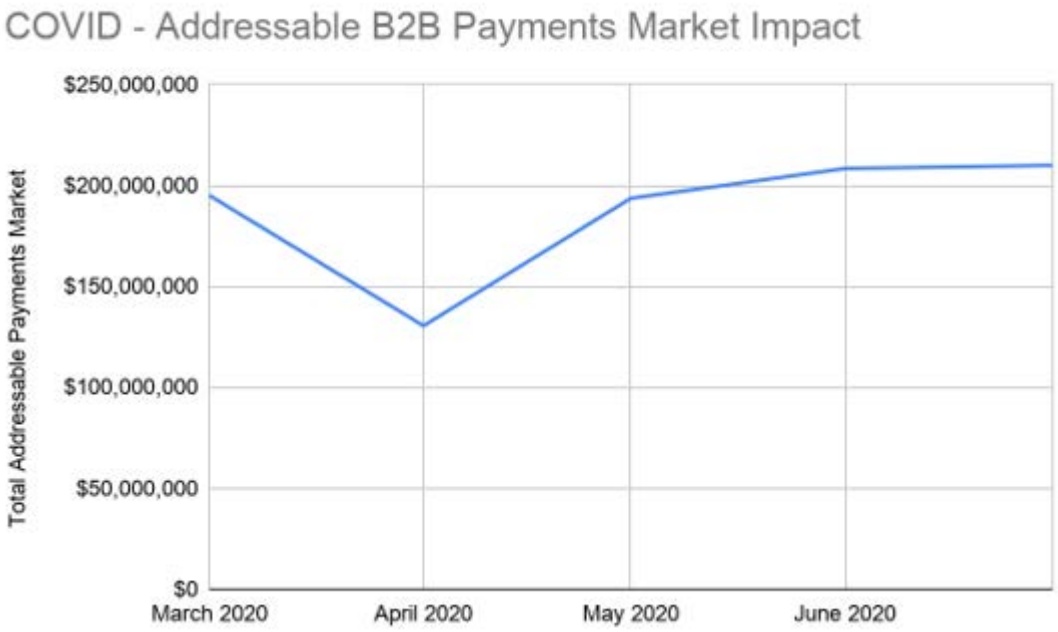
Cirralto Limited owns, licenses and operates technology assets and services that enable modernisation of business IT systems via the conversion, migration and management of server-based legacy data and systems to an integrated cloud-based solution. The Company supplies a toolbox of digital technologies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

The table below details key financial information for the year ended 30 June 2020 (FY20), in comparison to the 2019 (FY19) results.

	30 June 2020 $	30 June 2019 $	Movement
Revenue from continuing operations	462,128	670,732	(208,604)
Cost of services rendered	(321,861)	(498,463)	176,602
Employee & directors' benefits expense	(1,326,014)	(1,422,798)	96,784
Impairment of assets		(2,537,598)	2,537,598
Share-based payment expense	(154,933)	(681,840)	526,907
Other expenses	(2,220,044)	(1,567,070)	(652,974)
Income tax expense	-	-	-
Statutory net loss after income tax	**(3,560,724)**	**(6,037,037)**	**2,476,313**

Revenue for the 2020 reporting period was $462,128 compared to the 2019 revenue of $670,732, representing a decrease of $208,604 which was largely due to the direct impact of the COVID-19 pandemic. Like much of the economy, Cirralto's customers suffered significantly through the national economic downturn.

The graph on the following page shows a breakdown of the total addressable payments market from March 2020 to June 2020.



Revenue fell 48% in April following a decline of 58% in March. These substantial declines, were fueled by projects being cancelled or suspended and the company delivering direct relief in the form of subscription fee holidays, implementation discounts, free services and deferred payment plans to enable customers to remain trained. The total of this relief was approximately $285,000.

During the year the Company raised $2.4 million (net of costs) by way of borrowings and convertible notes. The funds have enabled the completion of development, certification and launch of the company's business payment services products.

The statutory net loss after tax for FY20 reporting period was $3,560,724 compared to FY19 of $6,037,037 representing a decrease of 41%.

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CONSOLIDATED STATEMENT OF PROFIT AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

		Consolidated	
	Note	**30 June 2020**	**30 June 2019**
		$	**$**
Revenue from continuing operations	2a	462,128	670,732
Cost of services rendered		(321,861)	(498,463)
Other Income	2b	100,849	7,939
Employee & directors' benefits expense	3a	(1,326,014)	(1,422,798)
Depreciation and amortisation expense	3b	(793,201)	(290,664)
Impairment of assets	3b	-	(2,537,598)
Consulting fees	3c	(221,531)	(51,575)
Legal and other professional fees		(110,434)	(119,613)
Regulatory listing fees		(48,396)	(58,546)
Occupancy expenses		(71,217)	(204,754)
Share-based payment expense	10	(154,933)	(681,840)
Other expenses		(821,346)	(837,243)
Finance costs		(254,768)	(12,614)
Loss before income tax		**(3,560,724)**	**(6,037,037)**
Income tax expense			
Loss after income tax		**(3,560,724)**	**(6,037,037)**
Loss for the year after income tax attributable to owners of Cirralto Limited		**(3,560,724)**	**(6,037,037)**
Other comprehensive loss for the year, net of tax			
Total comprehensive loss for the year attributable to owners of Cirralto Limited		**(3,560,724)**	**(6,037,037)**
Loss per share for the year ended attributable to the members of Cirralto Limited			
- Basic (loss) per share (cents per share)	4	(0.48)	(1.30)
- Diluted (loss) per share (cents per share)	4	(0.48)	(1.30)

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

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

		Consolidated	
	Note	30 June 2020 $	30 June 2019 $
Assets			
Current assets			
Cash and cash equivalents	5	273,628	100,942
Trade and other receivables	6	213,631	328,312
Right-of-use asset	7	14,777	-
Other current assets		558,113	131,864
Total current assets		**1,060,149**	**561,118**
Non-current assets			
Property, plant & equipment		7,058	4,402
Intangible assets	8	3,758,592	3,099,280
Total non-current assets		**3,765,650**	**3,103,682**
Total assets		**4,825,799**	**3,664,800**
Liabilities			
Current liabilities			
Trade and other payables		1,647,019	554,260
Lease liability	7	15,901	-
Provisions		48,908	22,926
Other loans		849,202	-
Convertible notes		1,569,298	-
Total current liabilities		**4,130,328**	**577,186**
Non-current liabilities			
Other loans		-	-
Total non-current liabilities		**-**	**-**
Total liabilities		**4,130,328**	**577,186**
Net assets / (liabilities)		**695,471**	**3,087,614**
Equity			
Contributed equity	9	61,160,454	60,195,983
Share-based payment reserve	10	2,177,702	2,185,687
Accumulated losses		(62,642,685)	(59,294,056)
Total equity / (deficiency)		**695,471**	**3,087,614**

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

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

	Consolidated			
	Contributed Equity $	Share-based payment reserve $	Accumulated Losses $	Total Equity/ (Deficiency) $
30 June 2019				
Balance as at 1 July 2018	**56,238,006**	**1,503,847**	**(53,257,042)**	**4,484,811**
Loss for the year			(6,037,037)	(6,037,037)
Total Comprehensive loss for the year	**-**	**-**	**(6,037,037)**	**(6,037,037)**
Transactions with owners in their capacity as owners:				
Issue of share capital	4,182,520	-	-	4,182,520
Transactions costs related to share issue	(224,543)	-	-	(224,543)
	-	-	23	23
Share-based payment transactions	-	681,840	-	681,840
Balance as at 30 June 2019	**60,195,983**	**2,185,687**	**(59,294,056)**	**3,087,614**
30 June 2020				
Balance as at 1 July 2019	**60,195,983**	**2,185,687**	**(59,294,056)**	**3,087,614**
Loss for the year			(3,560,724)	(3,560,724)
Total Comprehensive loss for the year	**-**	**-**	(3,560,724)	**(3,560,724)**
Transactions with owners in their capacity as owners:				
Issue of share capital	1,074,873			1,074,873
Transactions costs related to share issue	(110,404)	49,178		(61,226)
Fully vested unexercised shares	-	(212,096)	212,095	-
Share-based payment transactions	-	154,933		154,933
Balance as at 30 June 2020	**61,160,454**	**2,177,702**	**(62,642,685)**	**695,471**

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

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CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

	Note	Consolidated 30 June 2020 $	Consolidated 30 June 2019 $
Cash flows from operating activities			
Receipts from customers		614,745	743,245
Payments to suppliers and employees		(2,173,528)	(2,930,453)
Bank charges and interest paid		(30,418)	(10,888)
Government grants and tax incentives		98,000	-
Net cash (used in) operating activities		**(1,491,201)**	**(2,198,096)**
Cash flows from investing activities			
Payment for intangible assets		(1,360,400)	(1,763,182)
Acquisition of non-current assets		(6,105)	(5,125)
Loans advanced		(213,807)	-
Net cash (used in) investing activities		**(1,580,312)**	**(1,768,307)**
Cash flows from financing activities			
Proceeds from issue of shares		627,820	3,722,489
Payment of share issue costs		(61,226)	(224,543)
Proceeds from issue of convertible notes		1,897,988	-
Proceeds from borrowings		909,617	-
Payment of borrowings		(130,000)	-
Net cash inflow from financing activities		**3,244,199**	**3,497,946**
Net (decrease)/increase in cash and cash equivalents		172,686	(468,457)
Cash at beginning of financial year		100,942	569,399
Cash at end of financial year	**5**	**273,628**	**100,942**

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

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Note 1 Corporate Information

Cirralto Limited (previously known as Motopia) (referred to as "Cirralto" or the "Company") is a company limited by shares, incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX: CRO). The consolidated financial statements of the Company as at and for the year ended 30 June 2020 comprise the Company and its subsidiaries (collectively referred to as the "Group").

Note 2 Revenue and other income

	Consolidated	
	2020 $	**2019 $**
2a Revenue		
Revenue from rendering of services	462,128	670,732
	462,128	**670,732**
2b Other Income		
Interest revenue	354	430
ATO Cash Boost Subsidy	50,000	-
Discount Received	2,495	-
Jobkeeper Subsidy	48,000	-
Other income	-	7,509
	100,849	**7,939**

Note 3 Expenses

		Consolidated	
		2020 $	**2019 $**
3a	**Employee & Directors' benefits expense**		
	Directors' remuneration	428,245	692,929
	Employee & company secretary fees	897,769	729,869
		1,326,014	**1,422,798**
3b	**Depreciation, amortisation & impairment expenses**		
	Depreciation	269,208	18,872
	Amortisation	523,993	271,792
	Total Depreciation & amortisation expense	**793,201**	**290,664**
	Impairment charges:		
	Goodwill	-	825,811
	Intangible assets	-	1,711,787
		-	**2,537,598**
3c	**Consulting fees**		
	Corporate & funding strategy services	5,000	30,000
	Other consulting services	216,531	21,575
		221,531	**51,575**

Note 4 Earnings per share

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

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

	Consolidated	
	2020	**2019**
	$	**$**
The following reflects the income and share data used in the basic and diluted earnings per share computations:		
Loss after income tax expense from continuing operations	(3,560,724)	(6,037,037)
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS	741,975,943	465,107,341
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted EPS	741,975,943	465,107,341
Basic loss per share (cents per share)	(0.48)	(1.30)
Diluted loss per share (cents per share)	(0.48)	(1.30)

Note 5 Cash and cash equivalents

	Consolidated	
	2020	**2019**
	$	**$**
Cash at bank and in hand	273,628	100,942
	273,628	**100,942**

Note 6 Trade and other receivables

	Consolidated	
	2020	**2019**
	$	**$**
Trade receivables	102,953	212,568
Other Debtors – Convertible Notes	72,000	-
Interest free loans to employees	9,600	52,006
Interest free loans to shareholders	12,000	27,999
Other receivables	17,078	35,739
	213,631	**328,312**

(a) Fair value and credit risk

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

Note 7 Right-of-use assets and lease liability

	Consolidated	
	2020	**2019**
	$	**$**
Right-of-use assets		
Recognised on 1 July 2019 on adoption of AASB 16	103,441	-
Less: Depreciation expense	(88,664)	-
Closing balance as at 30 June 2020	**14,777**	-
Lease liability		
Recognised on 1 July 2019 on adoption of AASB 16	103,441	-
Add: Interest expense	8,460	-
Less: Principal payments	(96,000)	-
Closing balance as at 30 June 2020	**15,901**	**-**

AASB 16 has been adopted during the period.

Note 8 Intangible assets

	Consolidated	
	2020	**2019**
	$	**$**
Software development – at cost (a)	3,690,987	2,507,682
Less: Provision for impairment	(1,711,787)	(1,711,787)
Less: Accumulated amortisation	(871,503)	(347,510)
	1,107,697	448,385
Goodwill on acquisition of CBS – at cost (b)	2,650,895	3,476,706
Less: Provision for impairment	-	(825,811)
	2,650,895	2,650,895
Total intangibles	**3,758,592**	**3,099,280**

(a) Software development costs

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

(b) Goodwill

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

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

	Consolidated			
	Goodwill	**Software**	**Trademarks & IP**	**Total**
			$	**$**
Opening balance at 1 July 2018	**3,476,706**	**679,282**	**-**	**4,155,988**
Additions	-	1,752,682	-	**1,752,682**
Amortisation	-	(271,792)	-	**(271,792)**
Impairment of intangible assets and goodwill	(825,811)	(1,711,787)	-	**(2,537,598)**
Closing balance at 30 June 2019	**2,650,895**	**448,385**	**-**	**3,099,280**
Opening balance at 1 July 2019	**2,650,895**	**448,385**	**-**	**3,099,280**
Additions	-	1,183,306	-	**1,183,306**
Amortisation	-	(523,993)	-	**(523,993)**
Closing balance at 30 June 2020	**2,650,895**	**1,107,698**	**-**	**3,758,593**

Note 9 Contributed equity

	Consolidated	
	2020	**2019**
	$	**$**
Ordinary shares	61,160,454	60,195,983
	61,160,454	**60,195,983**

Ordinary shares

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

	Consolidated			
Ordinary shares	**2020**		**2019**	
	No. Shares	**$**	**No. Shares**	**$**
Opening balance	**660,257,705**	**60,195,983**	**342,670,240**	**56,238,006**
Rights issue and share placements	103,271,427	627,822	317,587,465	4,182,520
Share issue via conversion of convertible notes	79,830,967	447,053	-	-
Transactions costs related to share issue	-	(110,404)	-	(224,543)
Closing balance	**843,360,099**	**61,160,454**	**660,257,705**	**60,195,983**

Note 10 Share Based Payment Reserve

	Consolidated	
	2020	**2019**
	$	**$**
Opening Balance	**2,185,687**	**1,503,847**
Unlisted options issued during the year	84,434	116,000
Options expired during the year	(212,095)	-
Vesting charge on previously issued options	119,676	565,840
Closing balance	**2,177,702**	**2,185,687**

Note 11 Segment reporting

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

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

Note 12 Events occurring after the reporting date

After the close of the period, the Company undertook a share placement to sophisticated investors to raise ~$2.8m (before costs). Funds raised under the share placement were used to retire debt and accrued liabilities. Further, debt holders converted debt to equity which resulted in net debt reduction of ~$1.1m.

The balance of the funds raised under the share placement will be utilised for marketing, working capital purposes and to fund further development of the Company's digital payments product suite.