Annual Report

Cirralto Limited

ABN 67 099 084 143

For the year ended 30 June 2020



COMPANY OVERVIEW

Cirralto Limited (ASX: CRO) is a transaction services business supplying industries with a broad range of B2B payment services, digital trading software and integration solutions.

Our goal is to convert EFT payments to card payments utilising the BPSP engagement, coupled with our payments collaboration framework. Our competitive advantages deliver customers end to end e-invoicing integration, rapid onboarding, digital trust, and automated reconciliation.

Cirralto Limited

Annual Report, 30 June 2020

ABN: 67 099 084 143

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CORPORATE GOVERNANCE STATEMENT

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors support the principles of Corporate Governance. Where deemed appropriate, the Company follows the best practice recommendations as set out by the ASX Corporate Governance Council. Where the Company has not followed best practice for any recommendation, an explanation is given in the Corporate Governance Statement.

The Company's Corporate Governance Statement is available on the Company's website at www.cirralto.com.au

DIRECTORS' REPORT

The Directors present their report on the consolidated entity consisting of Cirralto Limited (ASX: CRO) and the entities it controlled for the financial year ended 30 June 2020 (referred to hereafter as 'the Company' or 'Cirralto' or 'the Group').

Directors

The Directors of Cirralto Limited during the year and up to the date of this report are shown below:

Mr Peter Richards	Non-Executive Chairman	Appointed 12 January 2018
Mr Howard Digby	Non-Executive Director	Appointed 1 August 2019
Mr Marcus L'Estrange	Non-Executive Director	Appointed 11 November 2014
		Resigned 22 July 2019
Mr Stephen Dale	Non-Executive Director	Appointed 5 April 2014
Mr Adrian Floate	Managing Director	Appointed 21 September 2018
	Executive Director	Appointed 10 November 2016

Mr Peter Richards

Peter Richards is an experienced independent director with over 40 years of international business experience with global companies including British Petroleum, Wesfarmers Limited, Dyno Nobel Limited and Norfolk Holdings Limited. During his time at Dyno Nobel, he held a number of senior positions within the North American and Asia Pacific businesses, before being appointed as Chief Executive Officer based in Australia (2005 to 2008).

Peter has served as non-executive chairman of Elmore Limited (previously known as IndiOre Limited) since 2017, having being a non-executive director since 2009. He is also Chairman of GrainCorp Limited and Emeco Holdings Limited. Peter holds a Bachelor of Commerce degree from the University of W.A.

Mr Stephen Dale

Stephen Dale has business experience in telecommunications, logistics, retail furniture and saddlery ventures. Since 2003 he has been a Board member of Saddleworld Australia, a franchised retail group, having served as chairman and currently is deputy chairman. He has also served as a Board member of Assumption College Kilmore for 14 years. In addition, his current activities include providing support services to the retail sector and development of a beef cattle breeding stud.

Stephen has held no other directorships of listed corporations in the last three years.

Mr Marcus L'Estrange

Marcus L'Estrange is an engineer with extensive experience in the IT and mining, oil and gas industries. He has been involved in the start-up of several successful companies within these sectors. He has a diverse range of skills, both as an engineer and in sales, marketing and business development.

Marcus is a co-founder of Raptor Global Corporation Ltd and is also Chairman of Neopharma Technologies Ltd, a Director of Drilling Resource Partners Pty Ltd and a Non-Executive Director of Potash Global Ltd.

Marcus ceased being a director of Cirralto Limited on 22 July 2019.

DIRECTORS' REPORT

Mr Adrian Floate

Managing director of Cirralto, Adrian Floate is an IT innovator who has been building software for 20 years. He has founded, built, and sold several technology businesses and worked in Asia, Australia, the UK and US. Adrian has both private and public company experience at an executive level. He is a business strategist that looks to overcome complex problems with software automation solutions. Adrian has worked in supply chain management systems since 1997 and has experience in manufacturing, wholesale distribution, retail and eCommerce.

Adrian's career includes designing and developing Bunning's BITS system EDI over IP network, the development and commercialisation of Australia's first SET payments gateway, the development and commercialisation of a Windows Mobile based email platform that pre-dated the Blackberry equivalent technology, designed the CAPlink EDI network for the automotive industry in conjunction with the Capricorn Society, co-founding the CLANG online car service portal and in more recent times leading the Appstablishment software team to create award-winning mobile App's for business collaboration. He has also been instrumental in providing the online portal to utilise Cirralto's conversion software to provide a global online service.

Adrian has held no other directorships of listed corporations in the last three years.

Mr Howard Digby

Howard Digby is a professional business leader with wide ranging international experience across a variety of industries and markets. He has a proven track record in starting and growing businesses. Howard's recent director experience includes exposure to disruptive early stage technology, Israeli based provision of high security and bandwidth data voice and video communications technology, IT services, including cloud migration and cybersecurity, cloud-based application software in the healthcare sector, and a Silicon Valley based next generation memory technology. Howard holds a Bachelor of Engineering (Hons), Mechanical Major from the University of W.A.

Howard has held no other directorships of listed corporations in the last three years.

Interests in the shares and options of the Company and related bodies corporate

As at the date of this report, the interests of the directors in the shares and options of Cirralto Limited were:

	Shares		Options	
Director:	Held Directly	Held Indirectly	Held Directly	Held Indirectly
Peter Richards	10,394,737	13,241,790	7,810,447	2,598,684
Stephen Dale	400,000	1,100,000	100,000	275,000
Adrian Floate	16,603,348	42,866,943	4,150,837	13,500,000
Howard Digby	666,666	7,700,000	166,666	6,425,000
Total	**28,064,751**	**64,908,733**	**12,227,950**	**22,798,684**

DIRECTORS' REPORT

Company Secretary

Mr Justyn Stedwell

Justyn Stedwell has completed a Bachelor of Business & Commerce (Management & Economics) at Monash University, a Graduate Diploma of Accounting at Deakin University, a Graduate Diploma in Applied Corporate Governance with the Governance Institute of Australia and a Graduate Certificate of Applied Finance with Kaplan Professional.

Justyn has over twelve years' experience acting as a Company Secretary of ASX listed companies in a wide range of industries and is currently Company Secretary of several ASX listed companies.

Dividends

The Company did not pay any dividends during the 2020 financial year (2019: $nil). The Directors do not recommend the payment of a dividend in respect of the 2020 financial year.

Principal Activities

The economic entity's principal activities during the course of the financial year were the development and commercialisation of technology assets that enable modernisation of business IT systems via conversion, migration, and management of server-based legacy data and systems to the cloud.

Remuneration Report

The remuneration report required under section 300A (1) of the *Corporations Act 2001* is set out within this report and forms part of the Directors' Report.

Review and Results of Operations

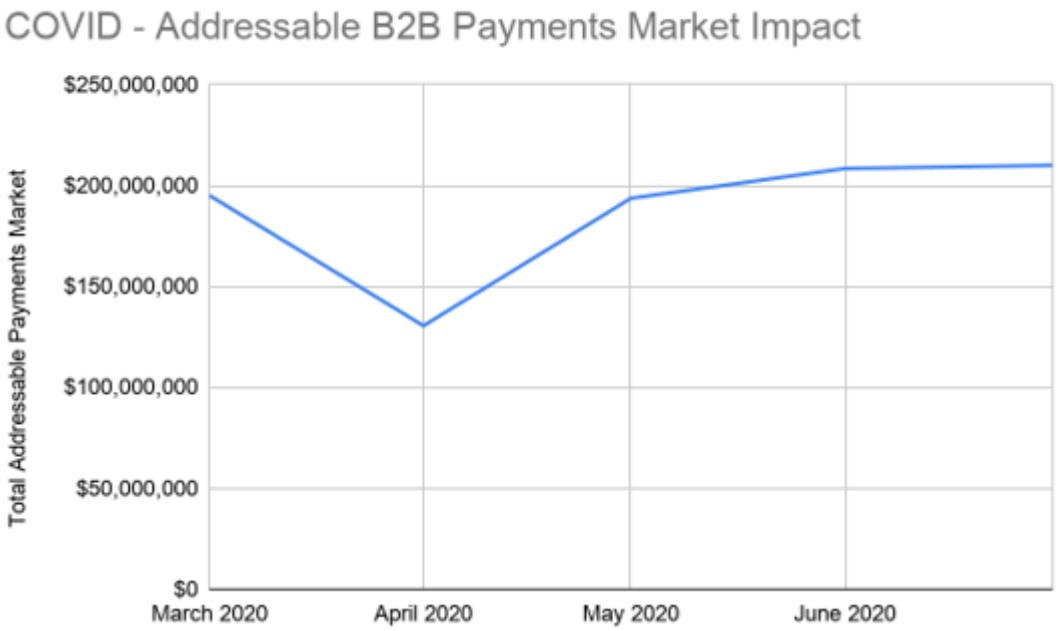
Cirralto Limited owns, licenses and operates technology assets and services that enable modernisation of business IT systems via the conversion, migration and management of server-based legacy data and systems to an integrated cloud-based solution. The Company supplies a toolbox of digital technologies 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	341,332	670,732	(329,400)
Cost of services rendered	(321,861)	(498,463)	176,602
Employee & directors' benefits expense	(1,345,337)	(1,422,798)	77,461
Impairment of intangible assets	(3,758,592)	(2,537,598)	(1,220,994)
Share-based payment expense	(135,944)	(681,840)	545,896
Other expenses	(2,217,545)	(1,567,070)	(650,475)
Income tax expense	-	-	-
Statutory net loss after income tax	**(7,437,947)**	**(6,037,037)**	**(1,400,910)**

Revenue for the 2020 reporting period was $341,332 compared to the 2019 revenue of $670,732, representing a decrease of $329,400 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 for the Group fell 48% in April 2020 following a decline of 58% in March 2020. These substantial declines were fuelled 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 on board and active. The revenue impact of this relief was approximately $285,000.

During the year the Company raised circa $3 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 the FY20 reporting period was $7,437,947 compared to FY19 of $6,037,037. However, these results reflect a significant item of $3,758,593 in FY20 which represents a non-cash impairment recognised.

Operating costs (excluding impairments) have decreased compared to last year, following a reduction in the executive, coupled with a freeze in essential capital expenditure and restructure of the company's leases.

Closing cash on hand at year end was $273,628 following the utilisation of $1,533,838 for operating activities and $1,360,255 for software development expenditure (excluding impairment) against collections of $504,263 and receipt of funds from placements and loans of $3,008,000 (net of costs).

Significant changes in the state of affairs

Other than as referred to elsewhere in this report, there have been no other significant changes in the state of affairs.

DIRECTORS' REPORT

Going concern

The financial report has been prepared on the basis that the Group is a going concern, which contemplates the continuity of normal business activity, the realisation of assets and the settlement of liabilities in the normal course of business.

For the year ended 30 June 2020 the Group recorded a net loss of $7,437,947 (2019: $6,037,037) and at 30 June 2020 had a net working capital deficit of $2,516,006 (2019: $16,068) and a net liability position of $2,494,170 (2019: net asset position of $3,087,614). The Group also recorded a net cash outflow in operating activities for the year ended 30 June 2020 of $1,533,838 (2019: $2,198,096).

The Group's ability to continue as a going concern and to meet its commitments as and when they fall due is dependent on the Group meeting its future cash forecasts, deferring or converting its debts and/ or securing additional funding.

Subsequent to reporting date, the Group raised $2,712,000 (before costs) through a share placement to institutional and professional investors as well as an additional $397,710 (before costs) through a pro-rata non-renounceable entitlement offer.

The Group has also commenced implementing steps to restructure its balance sheet and core operations. This has included the retiring of debt, the closure of the Company's office locations and streamlining operations. The implementation of these changes has seen the Company reduce its operating costs.

The Directors are also confident that the Group will be successful in securing additional funding through the issue of new debt or equity instruments, should the need arise. The Directors are also aware that the Group has the option, if necessary, to defer certain expenditure or abandon certain projects and reduce costs in order to minimise such funding requirements.

Based on these facts, the Directors consider the going concern basis of preparation to be appropriate for this financial report. Should the Group be unsuccessful in raising additional funds through the issue of new debt or equity instruments, or if the Group does not achieve its planned operational forecasts, there is a material uncertainty which may cast significant doubt whether the Group will be able to continue as a going concern and therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial statements do not include any adjustments relative to the recoverability and classification of recorded asset amounts or, to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

Subsequent events after the balance date

In July 2020, the Group issued a total of 267,421,918 shares in settlement of its financial liabilities. 189,921,918 shares were issued at $0.005 per share on conversion of $949,610 of convertible loan notes. 77,500,000 shares were issued at $0.005 per share to settle other liabilities of $387,500 which were included in trade and other payables as at 30 June 2020.

During July and August 2020, the Group settled the liability with Obsidian Global LLC. 32,208,374 shares were issued for $0.005 per share with a further 59,999,937 shares issued on 18 August 2020 at $0.009474 per share. The remainder of the liability was paid in cash on 27 August 2020.

On 14 August 2020 the Company undertook a share placement to institutional and sophisticated investors, issuing 271,000,000 shares to raise $2,712,000 (before costs). The Funds raised under the share placement will be used to support growth, further development of its payments' products, debt reduction, marketing, costs associated with the completion of the acquisition of Appstablishment Pty Ltd and general working capital requirements.

DIRECTORS' REPORT

On 2 October 2020 the Company issued 397,709,616 listed options with an expiry of 28 July 2023 raising $397,710 (before costs). The options were issued under a pro-rata non-renounceable entitlement issue of options (announced on 7 September 2020) to eligible shareholders on the basis of one (1) option for every eligible four (4) shares held (Option Issue). The purpose of the Options Issue was to recognise the support and loyalty the Company has received from its Shareholders to date.

The impact of the Coronavirus (COVID-19) pandemic is ongoing as at 30 June 2020 and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Likely developments and expected results

The likely developments in the economic entity's operations, to the extent that such matters can be commented upon, are covered in the Review and Results of Operations.

Environmental regulation

The Group is currently not subject to any particular and significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Share Options

Shares under Option

As at the date of this report, there existed the following unlisted options:

Date Granted	Expiry Date	Exercise Price	Number of Shares Under Option	Vested & Exercisable
7 September 2017	30 June 2022	$0.045	27,000,000	20,250,000
15 December 2017	15 December 2020	$0.045	5,500,000	5,500,000
3 May 2018	30 November 2020	$0.077	3,000,000	3,000,000
3 May 2018	3 May 2021	$0.054	4,500,000	4,500,000
3 May 2018	3 May 2021	$0.082	7,500,000	7,500,000
28 February 2019	28 February 2022	$0.040	5,000,000	5,000,000
2 May 2019	2 May 2021	$0.025	18,401,282	18,401,282
24 July 2020	28 July 2022	$0.025	15,400,000	15,400,000
24 July 2020	28 July 2023	$0.025	145,400,000	145,400,000
			231,701,282	**224,951,282**

These options do not entitle the holders to participate in any share issue of the Company or any other body corporate.

Indemnification and Insurance of Directors and Officers

During the financial year, the Company held an insurance policy to indemnify Directors and Officers against certain liabilities incurred as a Director or Officer, including costs and expenses associated in successfully defending legal proceedings. The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify the Directors or Officers of the Company or any related body corporate against any liability incurred as such a Director or Officer. In accordance with commercial practice, the insurance policy prohibits disclosure of the terms of the policy, including the nature of the liability insured against and the amount of premium.

The Company has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the Company against a liability incurred as auditor.

DIRECTORS' REPORT

Proceedings on Behalf of the Company

No proceedings have been brought or intervened on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

Corporate Governance

The Company has reviewed its corporate governance practices against the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd edition) and the Company's corporate governance. The Corporate Governance Statement is available at www.cirralto.com.au.

Meetings of Directors

During the financial year, 18 Board meetings were held. During the year there were no committees of the Board.

The following table sets out the number of Directors' meetings held during the financial year and the number of meetings attended by each Director (while they were a Director).

Director:	Board Meetings	
	Number Eligible to Attend	Number Attended
Peter Richards	18	18
Marcus L'Estrange	1	1
Stephen Dale	18	18
Adrian Floate	18	18
Howard Digby	17	15

Audit Services

During the year the following fees were paid or payable for services provided by the auditor:

	2020 $	2019 $
Audit and review of financial statements	65,960	70,329
Non-audit services	-	5,500
	65,960	**75,829**

Auditor's Independence Declaration

The Auditor's Independence Declaration for the year ended 30 June 2020 has been received and can be found on page 18.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

The Directors present the Company's remuneration report for the financial year ended 30 June 2020 (FY20) (Report).

The Report has been prepared in accordance with the disclosure requirement of the *Corporations Act 2001 (Cth),* the regulations made under the Act and Australian Accounting Standard AASB 124: *Related Party Disclosures* and outlines the remuneration arrangements for the Key Management Personnel of the Group (KMP) during FY20. KMP are those persons who directly or indirectly had authority and responsibility for planning, directing and controlling the Group's activities during the reporting period.

The Report contains the following sections:

a) Key management personnel (KMP) covered in this report
b) Remuneration policy and link to performance
c) Elements of executive remuneration
d) Link between executive remuneration and performance
e) Overview of non-executive director remuneration
f) Remuneration expenses for KMP
g) Contractual arrangement with KMPs
h) Use of remuneration consultants
i) Voting and comments made at the Company's 2019 Annual General Meeting

a) Key management personnel covered in this report

Name	Position	Term as KMP
Non-Executive Directors		
Peter Richards	Non-Executive Chairman	Full financial year
Marcus L'Estrange	Non-Executive Director	Ceased 22 July 2019
Howard Digby	Non-Executive Director	Appointed 1 August 2019
Stephen Dale	Non-Executive Director	Full financial year
Executive Directors		
Mr Adrian Floate	Managing Director	Full financial year

b) Remuneration and link to performance

Remuneration Policy

The remuneration of all Executives and Non-Executive Directors, Officers and Employees of the Company is determined by the Board.

The Company is committed to remunerating Senior Executives and Executive Directors in a manner that is market-competitive and consistent with best practice, including in the interests of shareholders. From time to time, the Board may engage external remuneration consultants to assist with this review.

Executive Remuneration policies and framework

We reward executives with a level and mix of remuneration appropriate to their position, responsibilities and performance, in a way that aligns with the business strategy. Executives receive fixed remuneration and variable remuneration consisting of short-term incentive (STI) and long-term incentive (LTI) opportunities.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) continued

The chart below provides a summary of the structure of executive remuneration in FY20:

Structure of Executive Remuneration FY20

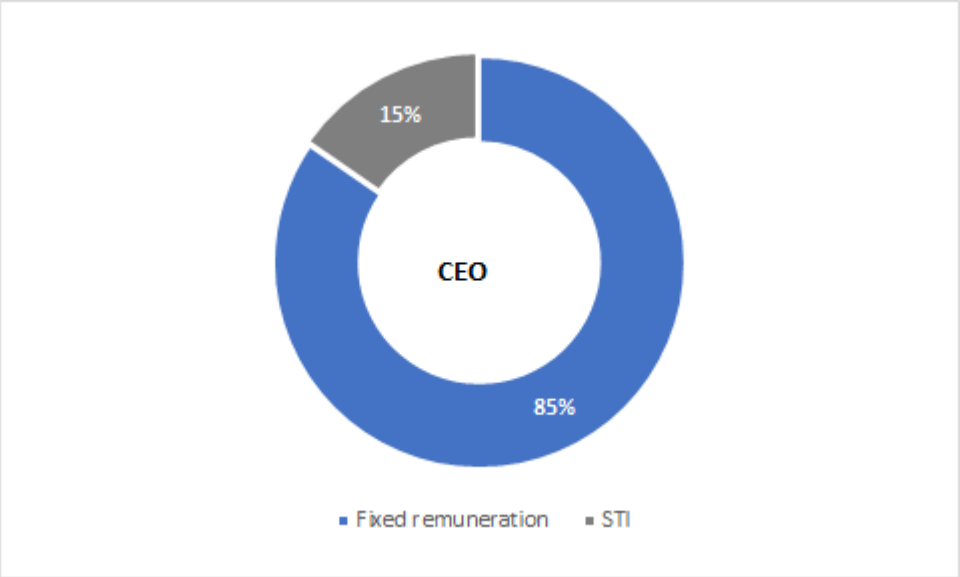
Fixed Remuneration	
Base salary + superannuation + benefits	
Variable Remuneration	
STI plan	LTI plan
Cash	Options (5 years)
Maximum 25 % of Base salary subject to the achievement of annual performance conditions	Vest upon achievement of set performance conditions

Remuneration mix- target

The target remuneration mix for the CEO for FY20 is shown in figure 2 below. It reflects the STI opportunity for the current year that will be available if the performance conditions are satisfied. There were no LTIs granted during the year.

As for the remainder of the Board, there were no STIs in place as at 30 June 2020.

Target remuneration mix for FY20



c) Elements of executive remuneration

Fixed remuneration

Executives may receive their fixed remuneration as cash. Fixed remuneration is reviewed annually, or on promotion. It is benchmarked against market data for comparable roles in companies in a similar industry and with similar market capitalisation. The Board aims to position executives at or near the median, with flexibility to take into account capability, experience, and value to the organisation and performance of the individual.

Superannuation is included in fixed remuneration. There were no increases to fixed remuneration during this financial year.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) continued

Short-term incentives

The purpose of a performance-based bonus is to reward individual and team based on performance in line with Company objectives. Consequently, performance-based remuneration is paid to an individual where the individual's performance clearly contributes to a successful outcome for the Company. This is regularly measured by Key Performance Indicators (KPIs).

The Company uses a number of KPIs to determine achievement, depending on the role of the Executive being assessed.

These include:

- successful contract negotiations;
- successful revenue generation;
- achievement of project milestones within budget and on time; and
- achievement of software launch milestones.

The Company has set clear targets for the executives and managing director. These include:

- improving the Company's payments interchange margin and cost pricing by entering into new agreements with global acquiring network;
- growing the Company's market capitalisation above $200 million;
- completing the merger with Appstablishment Software Group within the Q4 2020;
- continuing month on month customer growth above 7%; and
- achieving post tax profitability in the 2021 financial year.

Long-term incentives

Howard Digby was issued 4,500,000 options by shareholders' approval at an AGM on 24 July 2020. Options are granted subject to continuous service on the Board and can only be converted on completion of 12 months of service as a Non-Executive Director.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) continued

Executive Incentive Grants

The establishment of Cirralto Limited's Employee Share Option Plan (ESOP) was approved by shareholders at the 2017 annual general meeting. The ESOP is designed to provide long-term incentives to eligible employees and executive directors of the Group to assist in the motivation, retention and reward of participants. The key terms of the ESOP are outlined below:

ESOP Rules

Eligibility	The plan is open to all employees of the Group, or other person (eligible employees) declared by the Board to be eligible.
Instrument	Grants will comprise options. Each option represents a right to acquire one ordinary share in the Company subject to the satisfaction of the applicable vesting conditions, the exercise of the option and payment of the exercise price.
Terms and conditions applicable to an offer under the ESOP	The Board has absolute discretion to determine the terms and conditions applicable to an offer under the ESOP including: • any conditions to be satisfied before an option will be granted • any vesting, performance or other conditions required to be satisfied before options vest and may be exercised • the options exercise period • any applicable issue price or exercise price • the closing date and expiry date
Forfeiture and termination	Options will lapse if performance conditions are not met. In the event of employment cessation, the eligible participant will have 90 days from the date of cessation of the employment agreement to exercise any vested options, or as the Board expressly determines. Unexercised options will lapse after 90 days of the date of termination of the employment agreement, or as the Board expressly determines.

d) Link between executive remuneration and performance

Statutory performance indicators

We aim to align our executive remuneration to our strategic and business objectives and the creation of shareholder wealth. The table below shows measures of the Group's financial performance over the last five years as required by the *Corporations Act 2001.*

Company Performance	2020	2019	2018	2017	2016
Revenue ($)	341,332	670,732	301,553	37,955	6,000
Net loss before tax ($)	(7,437,947)	(6,037,037)	(6,440,644)	(1,938,065)	(1,773,798)
Net loss after tax ($)	(7,437,947)	(6,037,037)	(6,440,644)	(1,938,065)	(1,773,798)
Key management remuneration ($)	433,245	1,258,769	1,288,805	365,153	162,000
Share price at the end of year ($)	0.01	0.01	0.06	0.04	0.01
Dividend ($)	-	-	-	-	-
Basic earnings per share (cents per share)	(1.01)	(0.013)	(0.02)	(0.03)	(0.03)
Diluted earnings per share (cents per share)	(1.01)	(0.013)	(0.02)	(0.03)	(0.03)

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) continued

e) Overview of non-executive director remuneration

Non-Executive Directors are remunerated out of the maximum aggregated amount approved by shareholders and at a level that is consistent with industry standards. In determining non-executive fees, the Board aims to ensure that remuneration practices are:

- competitive and reasonable, enabling the Company to attract and retain key talent;
- aligned to the Company's strategic and business objectives and the creation of shareholder value;
- transparent and easily understood; and
- acceptable to shareholders.

The maximum annual Non-Executive Directors fee pool limit is $250,000 and was approved by shareholders at the annual general meeting on 30 November 2006.

The table below summarises Board fees payable to Non-Executive Directors for FY20 (inclusive of superannuation where applicable):

Board fees	$
Chair	30,000
NED	30,000

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 remuneration, relevant to the office of director. Non-Executive Directors may be reimbursed for expenses reasonably incurred in attending to the Group's affairs. Non-Executive Directors may receive performance-based bonuses but not retirement allowances. Prior shareholder approval is required to participate in any issue of equity.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) continued

f) Remuneration expenses for KMP

The following table sets out the details of the remuneration of the directors and the key management personnel of the Group for the financial year ended 30 June 2020.

	Fixed Remuneration				Variable Remuneration		
KMP	**Salary & Fees**	**Post-employment benefits[1]**	**Other[2]**	**Annual & Long Service Leave**	**STI Bonus accrued**	**LTI Value of Equity**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Non-Executive Directors							
Peter Richards	30,000	-	-	-	-	-	30,000
Marcus L'Estrange[3]	39,077	-	-	-	-	-	39,077
Stephen Dale	30,000	-	-	-	-	-	30,000
Howard Digby	27,500	-	-	-	-	16,267	43,767
Executive Directors							
Adrian Floate	275,000	26,125	11,043	-	-	103,414	415,582
TOTAL	**401,577**	**26,125**	**11,043**	**-**	**-**	**119,681**	**558,426**

1. Post-employment benefits comprise superannuation payments and any voluntary fee sacrifice to superannuation.
2. Other comprises of travel allowance payments.
3. Marcus L'Estrange ceased being a director of Cirralto Limited on 22 July 2019.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) continued

The following table sets out the details of the remuneration of the directors and the key management personnel of the Group for the financial year ended 30 June 2019.

	Fixed Remuneration				Variable Remuneration		
KMP	**Salary & Fees**	**Post-employment benefits[1]**	**Other**	**Annual & Long Service Leave**	**STI Bonus accrued**	**LTI Value of Equity**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Non-Executive Directors							
Peter Richards	28,583	-	-	-	-	103,799	132,382
Marcus L'Estrange	30,000	-	-	-	-	-	30,000
Stephen Dale	30,000	-	-	-	-	-	30,000
Executive Directors							
Michael Mulvey[2]	136,121	7,105	-	-	-	254,479	397,705
Adrian Floate	275,000	26,125	-	159,995	-	136,042	597,162
TOTAL	**499,704**	**33,230**	-	**159,995**	**-**	**494,320**	**1,187,249**

1. Post-employment benefits comprise superannuation payments and any voluntary fee sacrifice to superannuation.
2. Michael ceased being a director of Cirralto Limited on 21 September 2018.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) continued

Other transactions with key management personnel and their related parties

During the financial year, related interests of Adrian Floate received a total of $2,450,367 (2019: $1,191,000) in additional IT service fees.

Refer to note 19 for further details.

Options Granted as part of Remuneration

During the year ended 30 June 2020, a resolution was taken for 4,500,000 options exercisable at 2.5c with an expiry date of 28 July 2023 to be granted to Howard Digby. This has been taken into account for the purposes of calculating the share-based options reserve as at year end.

KMP interests in CRO shares

The table below details the movements in the number of shares held by KMP during FY20 and the comparative year FY19. Up until the date of this report, there have been changes to the interests held which have been shown in the tables below:

2020 Ordinary shares	Balance at the start of the year No	Received as part of remuneration No	Additions No	Disposals /other No	Balance at the end of the year No	Balance at the date of this report No
Directors:						
Peter Richards	10,216,850	-	3,719,677	-	13,936,527	23,636,527
Stephen Dale	1,500,000	-	-	-	1,500,000	1,500,000
Marcus L'Estrange	16,746,944	-	-	(16,746,944) [1]	-	-
Adrian Floate	55,870,291	-	-	-	55,870,291	59,470,291
Howard Digby	-[2]		666,666		666,666	8,366,666
	84,334,085	**-**	**4,386,343**	**(16,746,944)**	**71,973,484**	**92,973,484**

[1] Balance at 22 July 2019 when Marcus L'Estrange ceased being a director of Cirralto Limited.
[2] Balance at 1 August 2019 when Howard Digby was appointed a director of Cirralto Limited.

2019 Ordinary shares	Balance at the start of the year No	Received as part of remuneration No	Additions No	Disposals /other No	Balance at the end of the year No
Directors:					
Peter Richards	1,000,000	2,894,737	6,322,113	-	10,216,850
Stephen Dale	1,500,000	-	-	-	1,500,000
Marcus L'Estrange	34,413,611	-	-	(17,666,667)	16,746,944
Adrian Floate	38,260,312	12,559,916	5,050,063	-	55,870,291
	75,173,923	**15,454,653**	**11,372,176**	**(17,666,667)**	**84,334,085**

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) continued

g) Contractual arrangement with KMPs

The following Directors and Senior Executives were under contract during the year ended 30 June 2020:

	Title	Agreement Commenced	Details	Duration	Notice Required
Directors					
Peter Richards	Non-Executive Director, Chairman	13 December 2017	Director's fee of $2,500 per month	No Fixed Term	No Notice Period
Mr Stephen Dale	Non-Executive Director	5 April 2014	Director's fee of $2,500 per month	No Fixed Term	No Notice Period
Mr Howard Digby	Non-Executive Director	1 August 2019	Director's fee of $2,500 per month	No Fixed Term	No Notice Period
Executives					
Mr Adrian Floate	Executive Director	10 November 2016	Fixed fee of $25,094 including superannuation per month	No Fixed Term	3 months

h) Use of remuneration consultants

Cirralto Limited did not use a remuneration consultant during the current financial year.

i) Voting and comments made at the Company's 2019 Annual General Meeting

The Company did not receive any specific feedback at the AGM or throughout 2020 on its remuneration practices. The Company received 99.62% of 'for' votes in relation to its remuneration report for the year ended 30 June 2020.

End of Remuneration Report (Audited)

Signed in accordance with the resolution of the Board of Directors.



Adrian Floate
Managing Director

9 October 2020

Auditor's independence declaration under Section 307C of the Corporations Act 2001

To the directors of Cirralto Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the year ended 30 June 2020 there have been:

(i) no contraventions of the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Nexia Perth Audit Services Pty Ltd



Muranda Janse Van Nieuwenhuizen | Director

Perth
9 October 2020

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

		Consolidated	
	Note	30 June 2020 $	30 June 2019 $
Revenue from continuing operations	4a	341,332	670,732
Cost of services rendered		(321,861)	(498,463)
Other Income	4b	181,704	7,939
Employee & directors' benefits expense	5a	(1,345,337)	(1,422,798)
Depreciation and amortisation expense	5b	(793,201)	(290,664)
Impairment of intangible assets	5b/ 13	(3,758,593)	(2,537,598)
Consulting fees	5c	(280,421)	(51,575)
Legal and other professional fees		(150,434)	(119,613)
Regulatory listing fees		(48,396)	(58,546)
Occupancy expenses		(71,217)	(204,754)
Share-based payment expense	17	(135,944)	(681,840)
Other expenses		(688,215)	(837,243)
Finance costs	5d	(349,084)	(12,614)
Movement in fair value of financial liabilities		(18,280)	-
Loss before income tax		**(7,437,947)**	**(6,037,037)**
Income tax expense	6	-	-
Loss after income tax		**(7,437,947)**	**(6,037,037)**
Loss for the year after income tax attributable to owners of Cirralto Limited		**(7,437,947)**	**(6,037,037)**
Other comprehensive loss for the year, net of tax		**-**	**-**
Total comprehensive loss for the year attributable to owners of Cirralto Limited		**(7,437,947)**	**(6,037,037)**
Loss per share for the year ended attributable to the members of Cirralto Limited			
- Basic (loss) per share (cents per share)	7	(1.01)	(1.30)
- Diluted (loss) per share (cents per share)	7	(1.01)	(1.30)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

		Consolidated	
	Note	30 June 2020 $	30 June 2019 $
Assets			
Current assets			
Cash and cash equivalents	8	273,628	100,942
Trade and other receivables	9	321,085	328,312
Other current assets	11	373,852	131,864
Total current assets		**968,565**	**561,118**
Non-current assets			
Property, plant & equipment		7,059	4,402
Right-of-use asset	10	14,777	-
Intangible assets	13	-	3,099,280
Total non-current assets		**21,836**	**3,103,682**
Total assets		**990,401**	**3,664,800**
Liabilities			
Current liabilities			
Trade and other payables	14	1,598,013	554,260
Lease liability	10	15,901	-
Provisions		48,906	22,926
Financial liabilities	15	1,821,751	-
Total current liabilities		**3,484,571**	**577,186**
Total liabilities		**3,484,571**	**577,186**
Net assets / (liabilities)		**(2,494,170)**	**3,087,614**
Equity			
Contributed equity	16	61,123,783	60,195,983
Reserves	17	2,901,954	2,185,687
Accumulated losses		(66,519,907)	(59,294,056)
Total equity / (deficiency)		**(2,494,170)**	**3,087,614**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

		Consolidated				
	Note	Contributed Equity $	Other Reserves $	Share Based Payment Reserves $	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	16	4,182,520	-	-	-	4,182,520
Transaction costs related to share issue	16	(224,543)	-	-	-	(224,543)
Adjustment relating to ConvertU2 Online		-	-	-	23	23
Share-based payment transactions	16	-	-	681,840	-	681,840
Balance as at 30 June 2019		**60,195,983**	**-**	**2,185,687**	**(59,294,056)**	**3,087,614**
Balance as at 1 July 2019		**60,195,983**	**-**	**2,185,687**	**(59,294,056)**	**3,087,614**
Loss for the year		-	-	-	(7,437,947)	(7,437,947)
Total Comprehensive loss for the year		**-**	**-**	**-**	(7,437,947)	**(**7,437,947**)**
Transactions with owners in their capacity as owners:						
Issue of share capital	16	1,029,855	-	-	-	1,029,855
Transactions costs related to share issue	16	(102,055)	-	-	-	(102,055)
Lapsed options	17	-	-	(212,096)	212,096	-
Share-based payment transactions	17	-	-	328,363	-	328,363
Convertible notes	15	-	600,000	-	-	600,000
Balance as at 30 June 2020		**61,123,783**	**600,000**	**2,301,954**	**(66,519,907)**	**(2,494,170)**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

		Consolidated	
	Note	30 June 2020 $	30 June 2019 $
Cash flows from operating activities			
Receipts from customers		504,263	743,245
Payments to suppliers and employees		(2,043,788)	(2,930,453)
Bank charges and interest paid		(92,313)	(10,888)
Government grants and tax incentives		98,000	-
Net cash (used in) operating activities	21	**(1,533,838)**	**(2,198,096)**
Cash flows from investing activities			
Payment for intangible assets		(1,360,255)	(1,763,182)
Acquisition of non-current assets		(6,106)	(5,125)
Net cash (used in) investing activities		**(1,366,361)**	**(1,768,307)**
Cash flows from financing activities			
Proceeds from issue of shares		582,900	3,722,489
Payment of share issue costs		(61,225)	(224,543)
Proceeds from borrowings		3,008,000	-
Payment of lease liabilities		(96,000)	-
Payment of borrowings		(360,790)	-
Net cash inflow from financing activities		**3,072,885**	**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	8	**273,628**	**100,942**

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

Note 1 Corporate Information

Cirralto Limited (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").

A description of the nature of the Group's operations and its principal activities is included in the review of operations and activities in the Directors' Report, which does not form part of this financial report.

Note 2 Summary of Significant Accounting Policies

a) Basis of preparation

These general-purpose financial statements for the year ended 30 June 2020 have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. Cirralto Limited is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS

The consolidated financial statements and notes of the Group also comply with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board.

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for available for sale financial assets and financial assets and liabilities at fair value through profit or loss, which have been measured at fair value. The financial report is presented in Australian dollars.

(iii) New and amended standards adopted by the Group

The Group had adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the AASB that are mandatory for the current reporting period.

The Group has adopted AASB 16 from 1 July 2019 which has resulted in changes in the classification, measurement and recognition of leases. The new standard requires recognition of a right-of-use asset (the leased item) and a financial liability (to pay rentals). The exceptions are short-term leases and leases of low value assets.

The lease liability is initially measured at the present value of the lease payments that are not paid at commencement date, discounted using the rate implied in the lease. As this rate is not readily determinable, the Group has used its incremental borrowing rate.

Right-of-use assets are depreciated on a straight-line basis over the term of the lease (or the useful life of the leased assets, whichever is shorter). Depreciation starts on the commencement date of the lease.

Where leases have a term of less than 12 months or relate to low value assets, the Group has applied the optional exemptions to not capitalise these leases and instead account for the lease expense on a straight-line basis over the lease term.

(iv) Impact on adoption of AASB 16

The Group has adopted AASB 16 using the modified retrospective approach under which reclassification and adjustments arising from the new leasing rules are recognised in the opening Statement of Financial Position on 1 July 2019. Under this approach, there is no initial impact on retained earnings and comparatives have not been restated.

Note 2 Summary of Significant Accounting Policies (continued)

a) Basis of preparation (continued)

On adoption of AASB 16, the Group recognised lease liabilities of $103,441 in relation to leases which had previously been classified as operating leases under the principles of AASB 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 July 2019. The lessee's incremental borrowing rate applied to lease liabilities on 1 July 2019 was 15%.

An extension option is included in one of the property leases. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. In the Group's recognition of the lease, the option to extend has not been taken into account as the option has not been taken up post 30 June 2020.

On initial application right-of-use assets were measured at the amount equal to the lease liability and recognised in the Statement of Financial Position as at 1 July 2019.

In the Statement of Cashflows, the Group has recognised cash payments for the principal portion of the lease liability within financing activities, cash payments for the interest portion of the lease liability as interest paid within operating activities and short-term lease payments and payments for lease of low-value assets within operating activities.

The adoption of AASB 16 resulted in the recognition of right-of-use assets of $14,777 and lease liabilities at the reporting date of $15,901 in respect to all leases, other than short-term leases and leases of low value assets.

The net impact on retained earnings on 1 July 2019 was $nil.

b) Principles of consolidation and equity accounting

The consolidated financial statements comprise the financial statements of Cirralto Limited and its subsidiaries as at 30 June each year. Control is achieved where the consolidated entity 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. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company and cease to be consolidated from the date on which control is transferred out of the Company.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

Minority interests not held by the Company are allocated their share of net profit after tax in the Consolidated Statement of Profit or Loss and Other Comprehensive Income and are presented within equity in the Consolidated Statement of Financial Position, separately from parent shareholders' equity.

c) Going concern

The financial report has been prepared on the basis that the Group is a going concern, which contemplates the continuity of normal business activity, the realisation of assets and the settlement of liabilities in the normal course of business.

Note 2 Summary of Significant Accounting Policies (continued)

c) Going concern (continued)

For the year ended 30 June 2020 the Group recorded a net loss of $7,437,947 (2019: $6,037,037) and at 30 June 2020 had a net working capital deficit of $2,516,006 (2019: $16,068) and a net liability position of $2,494,170 (2019: net asset position of $3,087,614). The Group also recorded a net cash outflow in operating activities for the year ended 30 June 2020 of $1,533,838 (2019: $2,198,096).

The Group's ability to continue as a going concern and to meet its commitments as and when they fall due is dependent on the Group meeting its future cash forecasts, deferring or converting its debts and/ or securing additional funding.

Subsequent to reporting date, the Group raised $2,712,000 (before costs) through a share placement to institutional and professional investors as well as an additional $397,710 (before costs) through a pro-rata non-renounceable entitlement offer.

The Group has also commenced implementing steps to restructure its balance sheet and core operations. This has included the retiring of debt, the closure of the Company's office locations and streamlining operations. The implementation of these changes has seen the Company reduce its operating costs.

The Directors are also confident that the Group will be successful in securing additional funding through the issue of new debt or equity instruments, should the need arise. The Directors are also aware that the Group has the option, if necessary, to defer certain expenditure or abandon certain projects and reduce costs in order to minimise such funding requirements.

Based on these facts, the Directors consider the going concern basis of preparation to be appropriate for this financial report. Should the Group be unsuccessful in raising additional funds through the issue of new debt or equity instruments, or if the Group does not achieve its planned operational forecasts, there is a material uncertainty which may cast significant doubt whether the Group will be able to continue as a going concern and therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial statements do not include any adjustments relative to the recoverability and classification of recorded asset amounts or, to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

d) 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 Board of Directors and the Executive Management Team (the chief operating decision maker).

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with any of the Company's other components) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segments, assess its performance and for which discrete financial information is available.

A geographical segment is a distinguishable component of the entity that is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different to those of segments operating in other economic environments.

Note 2 Summary of Significant Accounting Policies (continued)

e) Cash and cash equivalents

Cash and cash equivalents in the Consolidated Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity 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.

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the Consolidated Statement of Financial Position.

f) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivables. They are included in current assets, except for those with maturities greater than 12 months after the balance date which were classified as non-current assets.

Trade and other 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.

g) Investments and other financial assets

Investments and other financial assets are measured at either fair value through profit or loss, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Company determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

h) 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 plant and equipment over their estimated useful lives.

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

Note 2 Summary of Significant Accounting Policies (continued)

h) Property, plant and equipment (continued)

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

Impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. For plant and equipment, impairment losses are recognised through profit or loss.

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in Profit or Loss in the year the asset is derecognised.

i) Intangible assets

i) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

ii) Software

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Note 2 Summary of Significant Accounting Policies (continued)

i) Intangible assets (continued)

iii) Research and development

Research expenditure and development expenditure that do not meet the criteria in (ii) above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

iv) Amortisation methods and useful lives
The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

- IT Development and software 3 – 5 years

j) Trade and other payables

Trade payables and other payables are carried at amortised cost due to their short-term nature and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

k) Interest- bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in Profit or Loss when the liabilities are derecognised and as well as through the amortisation process.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Convertible notes are recorded as equity where the Company has no contractual obligation to deliver cash to the not holder.

Where convertible notes are redeemable for a fixed number of equity instruments the fair value of a convertible note is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the note. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Where convertible notes are redeemable for a variable number of equity instruments, the embedded derivative being the conversion options is recognised at fair value. Movements in fair value are recorded in the Statement of Profit or Loss. The host debt is recognised at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Note 2 Summary of Significant Accounting Policies (continued)

l) Share-based payment transactions

The Company provides benefits in the form of share-based payments to all employees. The establishment of Cirralto Limited's Employee Share Option Plan (ESOP) was approved by shareholders at the 2017 annual general meeting. The ESOP is designed to provide long-term incentives to eligible employees and executive directors of the Group to assist in the motivation, retention and reward of participants. Under the ESOP, eligible participants may be offered options which may be subject to vesting conditions set by the Board. Details of the Plan rules are set out within the remuneration report and within note 17.

The cost of these equity-settled transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted. The estimation of the fair value of the awards requires judgement with respect to the appropriate valuation methodology. The choice of valuation methodology is determined by the structure of the awards, particularly the vesting conditions. The estimation of any market-based performance conditions is incorporated into the valuation model used to determine the fair value of the awards whereas non-market-based performance conditions are not included in the determination of fair value. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

- the extent to which the vesting date has expired and
- the Company's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

The Profit or Loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Note 2 Summary of Significant Accounting Policies (continued)

m) Contributed equity

Ordinary share capital is recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received. Ordinary share capital bears no special terms or conditions affecting income or capital entitlements of the shareholders.

n) Revenue recognition

(i) Revenue from contracts with customers

Revenue is recognised for a contract with a customer when certain criteria are met:

- a signed contract is in place;
- each party's rights and obligations can be determined;
- payment terms are identified;
- the transaction has commercial substance; and
- it is probable that the consideration will be collectable.

At contract inception, Cirralto will assess the goods or services promised in a contract with a customer and shall identify as a performance obligation each promise to transfer to the customer. Cirralto provides the following services under contracts with customers:

1. Hardware supply;
2. Data migration and implementation services;
3. Integration services (SAAS) and licence fees; and
4. Support services.

Revenue is recognised when the performance obligation is satisfied either over time or at a point in time. Revenue in regard to hardware supply is recognised at the point in time the product is delivered to the customer. Revenue from data migration and implementation services, integration services and licence fees are recognised at the point in time that the services are provided. Revenue from support services is recognised over time, spread over the period to which the services relate.

(ii) Interest

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

(iii) Other income

Other income is recognised when it is received.

(iv) Research and development tax refund

The research and development tax refund is not recognised until there is a reasonable assurance that the Company will comply with the conditions attaching to the refund and that the refund will be received.

(v) Government Grants

Government grants are not recognised until there is reasonable assurance that the entity will comply with the conditions attaching to it, and that the grant will be received. Receipt of a grant does not of itself provide conclusive evidence that the conditions attaching to the grant have been or will be fulfilled.

Note 2 Summary of Significant Accounting Policies (continued)

o) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of 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 profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss. Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation legislation

Cirralto Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2006.

Note 2 Summary of Significant Accounting Policies (continued)

o) Income tax (continued)

The head entity, Cirralto Limited, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Company has applied the "separate tax payer within the group approach" in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the Company also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

p) Goods and Service Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

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

q) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, 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 year.

(ii) 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 additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Note 2 Summary of Significant Accounting Policies (continued)

r) 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 and/or liabilities incurred by the acquirer. All acquisition costs are expensed as incurred to profit and loss.

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

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets and 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.

s) Impairment of assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Note 2 Summary of Significant Accounting Policies (continued)

t) Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to continually make judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Company. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

(i) Impairment of goodwill and Intangible assets

The Company tests annually or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other intangible assets have suffered any impairment, in accordance with the accounting policy stated above. This requires an estimation of the recoverable amount of the cash-generating units (CGU) to which the goodwill and intangible assets are allocated. The recoverable amount of a CGU is determined based on value-in-use calculations which require the use of assumptions.

In performing the value-in-use calculations, the Group has applied the following key assumptions:

- Revenue forecasts for a four-year forecast period based on detailed FY20 budget and FY21-FY23 projections;
- A growth rate to extrapolate cashflows beyond the three-year period of 2.5%; and
- A discount rate applied to forecast cash flows of 15.4%.

Discount rates reflect the Group's estimate of the time value of money and the risks specific to the CGU that are not already reflected in the cash flows. Growth rates are considered appropriate given the specific industry in which the Group operates and its business risks.

Following the assessment at 30 June 2020, the Group recorded an expense of $3,758,593 relating to the impairment of intangible assets (refer to Note 13).

(ii) Estimation of useful lives of assets

Estimated useful lives of depreciable property, plant and equipment assets are reviewed on a regular basis and at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

(iii) Share-based payments

The Group measures the cost of equity-settled transactions with management and other parties 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 the Black-Scholes valuation method, taking into account the terms and conditions upon which the equity instruments were granted. The assumptions in relation to the valuation of the equity instruments are detailed in Note 16. 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 expenses and equity.

Note 2 Summary of Significant Accounting Policies (continued)

t) Critical accounting judgements, estimates and assumptions (continued)

(iv) Convertible notes

The fair value of convertible notes is determined at the end of each reporting date. The fair value is determined using a market interest rate. The compound convertible notes are subsequently recognised on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option and recognised in shareholders equity. All other convertible notes are recognised at fair value through profit and loss.

(v) Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the activities and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Note 3 Financial risk management objectives and policies

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 focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, and ageing analysis for credit risk.

Primary responsibility for identification and control of financial risks rests with the Board. The Board reviews and agrees policies for managing each of the risks identified below.

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.

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

	Assets		Liabilities	
	2020	2019	2020	2019
Consolidated	$	$	$	$
US dollars	-	-	805,413	-

Note 3 Financial risk management objectives and policies (continued)

The Group had net liabilities denominated in foreign currencies of $805,413 as at 30 June 2020 (2019: $nil). Based on this exposure, had the Australian dollar weakened by 5%/strengthened by 5% (2019: weakened by 5%/strengthened by 5%) against these foreign currencies with all other variables held constant, the Group's profit before tax for the year would have been $40,270 lower/$40,270 higher (2019: $nil lower/$nil higher). The actual foreign exchange gain for the year ended 30 June 2020 was $60,189 (2019: loss of $3,671).

Price risk
The Group is not exposed to any significant price risk.

Interest rate risk
The Group is not exposed to any significant interest rate risk.

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 adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables using a probability or default approach. This approach is considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available. A loss allowance of $14,231 has been recognised as at 30 June 2020.

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.

Financing arrangements
Unused borrowing facilities at the reporting date amount to $1,000,000. The facility is provided by a related party of the Group – Appstablishment Pty Ltd and may be drawn at any time. As of 30 June 2020 and of the date of the financial report there is no present liability under the loan.

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.

Note 3 Financial risk management objectives and policies (continued)

Consolidated – 2020	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $
Non-interest bearing					
Trade payables	-	733,558	-	-	-
Other payables	-	838,862	-	-	-
Interest-bearing – fixed rate					
Third party loans	45%	331,314	-	-	-
Convertible notes	10%	2,265,118			
Lease liability	10%	15,901	-	-	-
Total		4,184,753	-	-	-

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 4 Revenue and other income

	Consolidated	
	2020 $	2019 $
4a Revenue		
Revenue from contracts with customers	341,332	670,732
	341,332	**670,732**
4b Other Income		
Interest revenue	354	430
ATO Cash Boost Subsidy	100,000	-
Jobkeeper Subsidy	78,857	-
Other income	2,495	7,509
	181,706	**7,939**

The aggregate amount of contracted revenue for which performance obligations have not been met at 30 June 2020 is $119,799. This revenue is expected to be recognized in quarter 1 of FY2021.

Note 5 Expenses

		Consolidated	
		2020 $	2019 $
5a	**Employee & Directors' benefits expense**		
	Directors' remuneration*	438,745	692,929
	Employee & company secretary fees	906,592	729,869
		1,345,337	**1,422,798**
	*An additional $119,681 of directors' remuneration is included in share based payment expense		
5b	**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	2,650,895	825,811
	Intangible assets	1,107,698	1,711,787
		3,758,593	**2,537,598**
5c	**Consulting fees**		
	Corporate & funding strategy services	5,000	30,000
	Other consulting services	275,421	21,575
		280,421	**51,575**
5d	**Finance Costs**		
	Interest on loans	258,071	11,320
	Transaction fees	88,677	-
	Bank fees	2,336	1,294
		349,084	**12,614**

Note 6 Income tax expense

The Company has not recognised any deferred tax assets or liabilities in respect to the current year (2019: $nil).

At 30 June 2020, the net deferred tax assets have not been brought to account as realisation is not currently regarded as probable. Deferred tax assets on losses will only be available for recoupment if:

(i) The Company derives future assessable income of a nature and of an amount sufficient to enable the benefits from the deduction for the losses to be realised;
(ii) The Company continues to comply with the conditions for deductibility imposed by the law; and
(iii) No changes in tax legislation adversely affect the Company in realising the benefit from the deductions for the losses.

Note 6 Income tax expense (continued)

Tax consolidation

Cirralto Limited and its wholly owned Australian subsidiaries have formed an income tax consolidated group from 1 July 2006 under the tax consolidation regime. Cirralto Limited is the head entity of the consolidated tax group.

	Consolidated	
	2020 $	2019 $
Reconciliation between prima facie tax on loss from ordinary activities to statutory income tax expense:		
Loss before income tax expense from continuing operations	(7,437,947)	(6,037,037)
Prima facie tax (benefit) on loss from ordinary activities before income tax at 27.5% (2019: 27.5%)	(2,045,435)	(1,660,185)
Tax effect of:	-	-
Add:	-	-
Impairment of assets	1,033,613	697,839
Non-deductible expenses	17,155	2,880
Temporary differences not recognised	168,699	(31,329)
Less:		
Non-assessable income	(27,500)	-
Losses carried forward not recognised	853,468	990,795
Income tax benefit/(expense)	-	-

Unrecognised deferred tax assets and (liabilities) as at 30 June 2020 comprise:	Deferred tax assets $	Deferred tax liabilities $
Trade & other receivables	36,858	-
Other assets	-	(14,188)
Trade & other payables	16,986	-
Provisions	13,450	-
Unused tax losses	8,221,269	-
Unrecognised deferred tax assets and (liabilities) before set-off	8,288,562	(14,188)
Set-off of deferred tax liabilities	(22,674)	14,188
Net unrecognised deferred tax asset	**8,274,375**	-

The tax losses identified above have been estimated on the basis of available information. It has not been determined if the company has met the continuity of ownership test to enable all or part of these losses to be utilised.

In addition to the assessed loss and other net future income tax deductions on which deferred tax has not been recognised at 30 June 2020 as set out in the table above, the Company also has estimated accumulated capital losses of $856,779 on which deferred tax has not been recognised. Such capital losses may only be utilised against potential future capital gains.

Note 7 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.

	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	(7,437,947)	(6,037,037)
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS	735,527,856	465,107,341
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted EPS	735,527,856	465,107,341
Basic loss per share (cents per share)	(1.01)	(1.30)
Diluted loss per share (cents per share)	(1.01)	(1.30)

Note 8 Cash and cash equivalents

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

Note 9 Trade and other receivables

	Consolidated	
	2020 $	2019 $
Trade receivables	180,388	212,568
Other Debtors	72,000	-
Interest free loans to employees	9,600	52,006
Interest free loans to shareholders	12,000	27,999
Other receivables	47,097	35,739
	321,085	**328,312**

Note 9 Trade and other receivables (continued)

(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.

(b) Interest rate risk

Detail regarding interest rate risk exposure is disclosed in Note 3.

Note 10 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**	**-**

Lease payments not recognized as a liability
Lease payments expensed during the year and thus not included in the measurement of the lease liability are as follows:

	Consolidated	
	30 June 2020 $	30 June 2019 $
Short term leases	41,214	-
Leases of low value assets	8,212	-
Lease payments not recognised as lease liability	**49,426**	**-**

Total cash outflow for the year relating to leases was $167,217.

Note 11 Other current assets

	Consolidated	
	2020 $	2019 $
Prepaid insurance	24,923	8,710
Prepaid software licences	262,703	-
Other assets	86,329	123,154
	373,852	**131,864**

Note 12 Controlled entities

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

		Percentage Owned (%) [1]	
	Country of Incorporation	2020 %	2019 %
Parent Entity:			
Cirralto Limited	Australia		
Subsidiaries of Cirralto Limited:			
Cirralto Business Services Pty Ltd	Australia	100%	100%
ConvertU2 Online Pty Ltd[2]	Australia	-[1]	100%

[1] Percentage of voting power is in proportion to ownership
[2] Entity was deregistered from 24 April 2020

Note 13 Intangible assets

	Consolidated	
	2020 $	2019 $
Software development – at cost (a)	3,690,987	2,507,682
Less: Provision for impairment	(2,819,484)	(1,711,787)
Less: Accumulated amortisation	(871,503)	(347,510)
	-	448,385
Goodwill on acquisition of CBS – at cost (b)	2,650,895	3,476,706
Less: Provision for impairment	(2,650,895)	(825,811)
	-	2,650,895
Total Intangible assets	-	**3,099,280**

Note 13 Intangible assets (continued)

(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.

As at 30 June 2020, the Company performed impairment testing of its cash-generating unit. Management tested the recoverable amount of the Group CGU adopting the value in use method related only to revenue recognized in relation to the software development costs. The discount rate applied was 15.4%.

The Group assessed that the recoverable value of its CGU was less than its carrying value at the reporting date. Accordingly, an impairment of the CGU of $2,819,484 was recognised, bringing the carrying value of the software development assets to $nil.

(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, product and service support and geographic presence. It will not be deductible for tax purposes. The Group tests whether goodwill has suffered any impairment on an annual basis.

As at 30 June 2020, the Company performed the relevant impairment testing of its cash-generating unit. Management tested the recoverable amount of the Group CGU adopting the value in use method. The discount rate applied was 15.4%. The relevant CGU is the entity as a whole.

The Group assessed that the recoverable value of its CGU was less than its carrying value at the reporting date and accordingly an impairment of $2,650,895 was recognised against goodwill, bringing the carrying value of the software development assets to $nil.

Reconciliations

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

	Goodwill	Software	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	-	1,360,255	1,360,255
Amortisation	-	(700,942)	(700,942)
Impairment of intangible assets and goodwill	(2,650,895)	(1,107,698)	(3,758,593)
Closing balance at 30 June 2020	**-**	**-**	**-**

Note 14 Trade and other payables

	Consolidated	
	2020 $	2019 $
Current		
Unsecured liabilities:		
Trade payables	759,150	172,838
Sundry payables and accrued expenses	838,863	381,422
	1,598,013	**554,260**

Note 15 Financial Liabilities

	Consolidated		
	At Amortised Cost $	At Fair Value $	Total $
Convertible Notes issued between August and December 2019 (note 15a)	652,991	71,343	724,334
Convertible Notes issued to Obsidian (note 15b)	535,818	230,285	766,103
Convertible Notes issued in June (note 15c)	-	-	-
Other Loans	331,314	-	331,314
	1,520,123	**301,628**	**1,821,751**

15a. Convertible Notes Issued between August and December 2019

The convertible loan notes were issued to various lenders between August 2019 and December 2019 at an issue price of $1 per note. The notes are convertible into ordinary shares of the Company at any time between the date of issue of the notes and their settlement date, which is 12 months from the date of issue. The loan notes are redeemable for cash or convertible at a deemed issue price per share of 80% of the lowest volume weighted average price (VWAP) in the 10 trading days prior. Interest of 10% (per annum) accruing monthly is payable of the convertible note liability.

The net proceeds received from the issue of the convertible loan notes have been split between a financial liability at amortised cost and a financial liability carried at fair value, representing the embedded option to convert the financial liability into equity of the Company.

	$
Proceeds of issue of convertible loan notes	1,240,000
Fair value of derivative liability	(173,075)
Host debt liability	(1,066,925)
Convertible loan notes converted to equity	447,053
Convertible loan notes repaid in cash	130,000
Transaction Costs	76,334
Interest charged	(132,869)
Fair value movement	(4,852)
Carrying value of liabilities at 30 June 2020	**(724,334)**

Note 15 Financial Liabilities (continued)

The interest expensed for the year is calculated by applying an effective interest rate of 45% to the liability component for period since the loan notes were issued.

15b. Convertible Notes issued to Obsidian Global GP, LLC.

The convertible loan notes were issued on 17 March 2020 at an issue price of US$1 per note. The notes are convertible into ordinary shares of the Company at any time between the date of issue of the notes and their settlement date. On issue, the loan notes were convertible at the lesser of $0.01 per share and 90% of the lowest daily VWAP during the 10 actual trading days prior to the conversion notice date. There is no interest payable on the convertible note liability.

The net proceeds received from the issue of the convertible loan notes have been split between a financial liability at amortised cost and a financial liability carried at fair value, representing the embedded option to convert the financial liability into equity of the Company.

	$
Proceeds of issue of convertible loan notes	800,000
Fair value of derivative liability	(216,857)
Host debt liability	(583,143)
Transaction Costs	21,120
Interest charged	(64,807)
Fair value movement	(13,428)
Foreign exchange movement	91,012
Carrying value of liabilities at 30 June 2020	**(766,103)**

The interest expensed for the year is calculated by applying an effective interest rate of 56% to the liability component for the period since the loan notes were issued.

15c. Convertible Notes issued in June 2020

The convertible loan notes were issued on 15 June 2020 at an issue price of $1 per note. The notes are convertible into ordinary shares of the Company at any time between the date of issue of the notes and their settlement date. The loan notes are convertible at $0.005 per share. The loan notes are convertible at the election of either the note holder or the Company. As there is no contractual obligation for the Company to make repayment in cash the convertible notes have been recognised in equity at a value of $600,000.

15d. Other Loans

Other loans include principal and interest payable on loans drawn down during the year. All amounts are repayable in less than 12 months.

Note 16 Contributed equity

	Consolidated	
	2020 $	2019 $
Ordinary shares	61,123,783	60,195,983
	61,123,783	**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	83,271,427	582,900	317,587,465	4,182,520
Share issue via conversion of convertible notes	79,830,967	447,053	-	-
Transactions costs related to share issue		(102,055)	-	(224,543)
Closing balance	**823,360,099**	**61,123,783**	**660,257,705**	**60,195,983**

Note 17 Reserves

Reserves	2020 $	2019 $
Share Based Payment Reserves	2,301,954	2,185,687
Convertible note Reserve on initial recognition (refer note 15)	600,000	-
Closing balance	**2,901,954**	**2,185,687**

Note 17 Reserves (continued)

Share Based Payment Reserves

	Consolidated	
Share Based Payment Reserves	**2020 $**	**2019 $**
Opening Balance	**2,185,687**	**1,503,847**
Unlisted options issued during the year	328,365	116,000
Options expired during the year	(212,096)	-
Vesting charge on previously issued options	119,676	565,840
Closing balance	**2,301,954**	**2,185,687**

Total expenses arising from share-based payment transactions recognized during the year:

	Consolidated	
	2020 $	**2019 $**
Share based payment expense	328,373	681,840
Total Options and Performance Rights	**328,373**	**681,840**
• Included in share based payment expense	135,944	681,840
• Included in consultancy expense	58,900	-
• Included in prepayments	29,445	-
• Included in capitalised share issue costs	40,830	-
• Included in capitalised borrowing costs	63,254	-
	328,373	**681,840**
Total share based payments recognised in profit and loss	194,844	681,840
Total share based payments recognised in statement of financial position	133,529	-

The establishment of Cirralto Limited's Employee Share Option Plan (ESOP) was approved by shareholders at the 2017 annual general meeting. The ESOP is designed to provide long-term incentives to eligible employees and executive directors of the Group to assist in the motivation, retention and reward of participants. Details of the Plan rules are set out within the remuneration report.

Note 17 Reserves (continued)

The following table represents the various securities issued by the Company during the year and their fair value:

Fair values of awards							
Grant date	Award type	Vesting date	Vesting conditions	Expiry date	Number of options	Fair value	Exercise price
						$	$
24 July 2020	Director options issued to Howard Digby	24 July 2021	The options vest 12 months from date of issue on the condition that Mr. Digby remains a director of the Company for that period.	28 July 2023	4,500,000	0.0039	0.0250
24 July 2020	Issued to Canary Capital Pty Ltd for facilitation of private placement	24 July 2020	None	24 July 2023	10,400,000	0.0039	0.0250
24 July 2020	Issued to Obsidian Global LLC. As part of convertible security agreement	24 July 2020	None	28 July 2022	8,000,000	0.0026	0.0250
24 July 2020	Issued to Canary Capital Pty Ltd for corporate advisory services	24 July 2020	None	28 July 2023	22,500,000	0.0039	0.0250
24 July 2020	Issued to Canary Capital Pty Ltd for facilitation of convertible note transactions	24 July 2020	None	28 July 2022	15,400,000	0.0027	0.0250
	Total				**60,800,000**		

The above options were subject to shareholder approval which was obtained at 24 July 2020. As they all relate to transactions which occurred during the year the relevant expense has been recorded in the year ending 30 June 2020. The estimation of the fair value of the awards requires judgement with respect to the appropriate methodology. The choice of valuation methodology is determined by the structure of the awards, particularly the vesting conditions. The fair value for the options granted was determined by using the Black-Scholes model or Binomial model as appropriate.

Valuation assumptions

		2020	2019
Volatility	95%		175.1% - 176.8%
Risk free Interest rate	0.27% - 0.28%		2%

Note 17 Reserves (continued)

Set out below are summaries of options granted during the year:

	Consolidated			
	2020		2019	
	Average exercise price per share option $	Number of options	Average exercise price per share option $	Number of options
As at 1 July	0.056	91,796,713	0.053	54,796,713
Granted during the year	0.025	60,800,000	0.003	37,000,000
Expired during the year	(0.052)	(7,296,713)	-	-
Forfeited during the year	-	-	-	-
As at 30 June	**0.029**	**145,300,000**	**0.056**	**91,796,713**

At 30 June 2020 the weighted average contractual life of the above options was 2.02 years (2019: 2.99).

Note 18 Segment reporting

The Group'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 Group operates predominantly in the IT industry and a single geographic segment being Australia.

At regular intervals, the CODM is provided management information at a Group 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 19 Related party disclosure

Director and key management personnel related entities

The following entities have been determined to be related party entities:

Entity	Director/Key Management Personnel
CU2 Global Pty Ltd	CU2 Global Pty Ltd ("CU2G") is a related party entity. It is an associate of Cirralto Limited. Mr Stephen Dale is a director of both Cirralto Limited and CU2G.
Raptor Global Corporation Ltd	Raptor Global Corporation Ltd ("Raptor") is a related party entity. Mr Marcus L'Estrange was a director of Cirralto Limited and Raptor.
Appstablishment Pty Ltd	Appstablishment Pty Ltd ("Appstablishment") is a related party entity. Mr Adrian Floate is a shareholder through his interests in Appstablishment Software Group.
Appstablishment Software Group Pty Ltd	Appstablishment Software Group Pty Ltd ("ASG") is a related party entity. Mr Adrian Floate is a shareholder through his interests in Rare Air Nominees Pty Ltd.
Floating Assets Trust	Floating Assets Trust is a related party entity in which Mr Adrian Floate has a beneficial interest.
Rare Air Nominees Pty Ltd	Rare Air Nominees Pty Ltd ("Rare Air") is a related party entity. Mr Adrian Floate is a director of both Cirralto Limited and Rare Air.
Humedale Pty Ltd	Humedale Pty Ltd is a related party entity. Mr Stephen Dale is a director of both Cirralto Limited and Humedale Pty Ltd.

Shares Issued to Related Entities

No shares were issued to related entities during the year.

Directors and key management personnel

Disclosures relating to directors and key management personnel are set out in the remuneration report in the directors' report and note 19.

Transactions with related parties

During the year, services have been provided by or to directors' related entities as follows:

Director	Entity	Nature	2020 $	2019 $
Services provided by directors' related entities				
Mr Adrian Floate	Appstablishment Pty Ltd	IT services	2,450,367	1,191,000
Services provided to directors' related entities				
Mr Adrian Floate	Appstablishment Pty Ltd	IT services	105,339	92,211
Total payable as at year end			440,933	39,257

Note 19 Related party disclosure (continued)

Parent entity

Cirralto Limited is the ultimate parent entity.

As at 30 June Cirralto Ltd had intercompany loans with subsidiaries of $7,410,742 (2019: 6,527,356) . These loans carry no interest charge and have no set date for repayment. All intercompany transactions are eliminated on consolidation. A provision for impairment has been made, refer to note 22.

Subsidiaries & associates

Interests in subsidiaries and associates are set out in note 12.

Note 20 Key management personnel disclosures

Compensation

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

	Consolidated	
	2020 $	2019 $
Short-term employee benefits:		
Cash salary, fees and short-term compensation	438,745	692,929
Long-term employee benefits		
Share-based payments	119,681	494,320
	558,426	**1,187,249**

Shareholding

Refer to the remuneration report which contains the number of shares in the parent entity held during the financial year by each director and other members of key management personnel of the Company, including their personally related parties.

Option holding

Refer to the remuneration report which contains the number of options granted to directors during the 2020 financial year.

Note 21 Cash flow information

a) Reconciliation of Cash Flow from Operations with Loss before Income Tax

	Consolidated	
	2020 $	2019 $
Loss before Income Tax	(7,437,947)	(6,037,037)
Cash flows excluded from loss attributable to operating activities		
Non-cash Flows in Loss		
Depreciation, amortisation & impairment charges	4,551,793	2,828,262
Share-based payments	194,834	681,840
Non-cash loans to employees and shareholders	-	80,005
Non-cash issue of shares to Directors in lieu of wages and fees	-	380,025
Other non-cash adjustments	-	(2,487)
Changes in fair value of financial liabilities	18,120	-
Finance costs	277,095	-
FX movements	60,222	-
Impairment on receivables	4,675	9,555
Deferred revenue	(119,799)	-
Lease repayments included in finance cost	96,000	-
Changes in assets and liabilities:		
(Increase)/Decrease in trade and other receivables	(7,227)	(3,776)
(Increase)/Decrease in other current assets	(241,887)	(3,522)
Increase/(Decrease) in trade payables, accruals and provisions	1,069,735	(130,961)
Net cash used in operating activities	**(1,533,838)**	**(2,198,096)**

b) Non-cash investing and financing activities

	2020 $	2019 $
Conversion of debt to equity (refer note 15)	447,053	-

The above reflects where repayments have been made via the issue of ordinary shares

Note 22 Parent entity information

As at and throughout, the financial year ended 30 June 2020, the parent company of the consolidated entity was Cirralto Limited. The results and financial position of the parent entity are detailed below:

	Consolidated	
	2020 $	**2019 $**
Statement of profit or loss and other comprehensive income		
Loss after income tax	**(2,469,923)**	**(12,900,906)**
Total comprehensive loss	**(2,469,923)**	**(12,900,906)**
Statement of financial position		
Current assets	131,290	216,678
Non-current assets	-	382
Total assets	**131,290**	**217,060**
Current liabilities	904,271	164,184
Non-current liabilities	-	-
Total liabilities	**904,271**	**164,184**
Net Assets/(liabilities)	**(772,981)**	**52,876**
Equity		
Contributed equity	61,123,783	60,195,983
Share-based payment reserve	2,901,954	2,185,687
Accumulated losses	(64,798,718)	(62,328,795)
Total Assets/(deficiency)	**(772,981)**	**52,876**

Note 23 Auditor's remuneration

	Consolidated	
	2020 $	**2019 $**
Remuneration of the auditor of the parent entity for:		
Auditing and Reviewing the Financial Report and interim financial statements	65,960	70,329
Tax and accounting advice	-	5,500
	65,960	**75,829**

Note 24 Events occurring after the reporting date

In July 2020, the Group issued a total of 322,004,599 shares in settlement of its financial liabilities. 189,921,918 shares were issued at $0.005 per share on conversion of $949,610 of convertible loan notes. 77,500,000 shares were issued at $0.005 per share to settle other liabilities of $387,500 which were included in trade and other payables as at 30 June 2020.

During July 2020, the Group settled the liability with Obsidian Global LLC. 32,208,374 shares were issued for $0.005 per share with a further 59,999,937 shares issued on 18 August 2020 at $0.009474 per share. The remainder of the liability was paid in cash on 27 August 2020.

On 14 August 2020 the Company undertook a share placement to institutional and sophisticated investors, issuing 271,000,000 shares to raise $2,712,000 (before costs). The Funds raised under the share placement will be used to support growth, further development of its payments' products, debt reduction, marketing, costs associated with the completion of the acquisition of Appstablishment Pty Ltd and general working capital requirements.

On 2 October 2020 the Company issued 397,709,616 listed options with an expiry of 28 July 2023 raising $397,710 (before costs). The options were issued under a pro-rata non-renounceable entitlement issue of options (announced on 7 September 2020) to eligible shareholders on the basis of one (1) option for every eligible four (4) shares held (Option Issue). The purpose of the Options Issue was to recognise the support and loyalty the Company has received from its Shareholders to date.

The impact of the Coronavirus (COVID-19) pandemic is ongoing as at 30 June 2020 and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Note 25 Contingent assets/liability

The Company is currently engaged in a dispute with an unrelated third party in relation to an alleged breach of agreement. The Directors are of the opinion it is unlikely that the unrelated party would be able to demonstrate any material loss, even if it were able to establish the claim. Accordingly, no provision has been recognised in the financial statements.

There are no other contingent liabilities or assets as at 30 June 2020.

DIRECTORS' DECLARATION

The directors of Cirralto Limited declare that:

(a) in the directors' opinion the financial statements and notes and the Remuneration Report in the Directors' Report set out on pages 9 to 17 are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and

  (ii) complying with Australian Accounting Standards and Corporations Regulations 2001 and other mandatory financial reporting requirements; and

(b) the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board as disclosed in note 2(a); and

(c) subject to note 2(c), 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 the directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

Dated in Perth on 9 October 2020



Adrian Floate

Managing Director

Independent Audit Report to the Members of Cirralto Limited

Report on the financial report

Opinion

We have audited the financial report of Cirralto Limited ("the Company"), including its subsidiaries ("the Group") which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and 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 the directors' declaration.

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. 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 entity in accordance with 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 that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report. 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(c) in the financial report, which indicates that, for the year ended 30 June 2020, the Group incurred a net loss of $7,437,947 and had cash outflows from operating activities of $1,533,838. As at 30 June 2020, the Group had a cash balance of $273,628, a working capital deficit of $2,516,006 and a net liability position of $2,494,170. As stated in Note 2(c), these events and conditions, along with other matters as set forth in Note 2(c), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 of the current period. 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. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

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Key audit matter	How our audit addressed the key audit matter
Impairment of intangible assets *(Notes 5b and 13 of the financial report)* Given the constantly changing and competitive nature of the industry in which the Group operates as well as net operating losses and net operating cash outflows in the current and prior financial years, there is a risk that there could be a material impairment to goodwill and intangible asset balances. Determination as to whether or not there is an impairment in relating to an asset or Cash Generating Unit (CGU), involves significant judgement about the future cash flows and plans for these assets and CGUs. The impairment of the goodwill and intangible assets was a key audit matter because the impairment model involved key assumptions and judgements which had material impacts on the impairment assessments.	Our audit procedures included, amongst others: • We held various discussions with management to understand the assumptions used in the impairment model; • We assessed whether the CGU appropriately included all directly attributable assets and liabilities; • We assessed the reasonableness of the cash flow projections used in the impairment models; • We assessed the accuracy of management's 2020 forecast against actual results; • We assessed the reasonableness of key assumptions including the discount rate, forecast growth rates and terminal growth rate assumptions; • We also performed sensitivity analysis by adjusting the key inputs into the cash flow projection; and • We evaluated the adequacy of the disclosures included in the financial report.
Convertible securities issued during the year *(Note 15 of the financial report)* The Group entered into a number of convertible loan agreements during the year ending 30 June 2020. The terms of some of these agreements were complex and management consulted with an external expert to assess the appropriate accounting treatment and to value the embedded derivative components of the agreements. The Group has recognised the convertible note liabilities at amortised cost, fair value through profit or loss and equity as appropriate in terms of AASB 9: *Financial Instruments* and AASB 132: *Financial Instruments: Disclosure and Presentation*, depending on the terms of the agreements. This was a key audit matter due to the complex nature of the transactions, the material impacts on the financial report and the level of judgement required in accounting for the agreements.	Our audit procedures included, amongst others: • We obtained and read a copy of the relevant agreements; • We obtained a copy of the accounting advice and valuations provided by managements expert and assessed the inputs and assumptions used; • We challenged the assumptions used by the experts and held discussions with them to understand their methodology; • We assessed the professional competence, objectivity and experience of managements' external expert; • We assessed the journal entries raised to ensure that they reflected the movement in the drawdowns and repayments for the year ended 30 June 2020; • We assessed the recognition and measurement of the transactions in relation to the agreement; and • We assessed the accounting treatment and disclosure in accordance with AASB 9 and AASB 132.

Other information

The directors are responsible for the other information. The other information comprises the information in the Cirralto Limited annual report for the year ended 30 June 2020, but does not include the consolidated financial report and the auditor's report thereon.

Our opinion on the consolidated financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated 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 the other information we are required to report that fact. We have nothing to report in this regard.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the consolidated 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 consolidated financial report, the directors are responsible for assessing the Group's ability 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 entity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibility 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.

A further description of our responsibilities for the audit of the financial report is located at The Australian Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar2.pdf. This description forms part of our auditor's report.

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.

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Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 17 of the Directors' Report for the year ended 30 June 2020. In our opinion, the Remuneration Report of Cirralto Limited for the year ended 30 June 2020, complies with Section 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.



Nexia Perth Audit Services Pty Ltd



Muranda Janse Van Nieuwenhuizen
Director

Perth
9 October 2020

Corporate Directory

DIRECTORS
Mr Peter Richards (Non-Executive Chairman)
Mr Howard Digby (Non-Executive Director)
Mr Adrian Floate (Managing Director)
Mr Stephen Dale (Non-Executive Director)

COMPANY SECRETARY
Mr Justyn Stedwell

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OPERATIONAL OFFICE
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Sydney, NSW, 2000

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Nexia Perth Audit Services Pty Ltd
Level 3
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SOLICITOR
Pointon Partners
Level 14
565 Bourke Street
Melbourne, VIC 3000

BANKER
Westpac Banking Corporation
360 Collins Street,
Melbourne VIC 3000

STOCK EXCHANGE LISTING
The Company is listed on the Australian Securities Exchange.
Home Exchange – Melbourne, Australia

Code:
ASX:CRO

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ADDITIONAL STOCK EXCHANGE INFORMATION

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below. The information is effective as at 16 September 2020.

Substantial shareholders

The Company does not currently have any shareholders deemed as substantial shareholders.

Top 20 Shareholders

Name of Shareholder	No of Shares	% Held of Issued Ordinary Capital
RARE AIR NOMINEES PTY LTD	42,866,943	2.69%
MR KEIRAN JAMES SLEE	30,600,000	1.92%
COMSEC NOMINEES PTY LIMITED	22,511,589	1.41%
CITICORP NOMINEES PTY LIMITED	18,604,007	1.17%
MR ADRIAN JASON FLOATE	16,603,348	1.04%
CANARY CAPITAL PTY LTD	16,325,000	1.03%
MR DAVID MATTHEW WOOD	16,289,000	1.02%
MR CHRISTOPHER MAY	15,013,159	0.94%
BAGA RIVER PTY LTD	15,000,000	0.94%
MR MARK ANDREW LINNEY <M A LINNEY FAMILY A/C>	14,350,000	0.90%
MR JODET DURAK	14,323,321	0.90%
MR PETER DAVID KOLLER	14,000,000	0.88%
KYRIACO BARBER PTY LTD	13,775,000	0.87%
MR STEPHEN SHARRATT	13,500,000	0.85%
MR PETER IAN RICHARDS & MRS CAROL RICHARDS <RICHARDS FAMILY S/F A/C>	13,241,790	0.83%
MR CHRISTOPHER MARK JANSON	11,229,862	0.71%
MRS DALIAH PATEL	10,700,000	0.67%
PETER RICHARDS	10,394,737	0.65%
TAOS PTY LTD <GEILINGS & CO PTY SUPER A/C>	10,007,103	0.63%
MR ANDREW MURRAY GREGOR	10,000,000	0.63%
Total	**329,334,859**	**20.70%**

Range of Shareholders

Range	Total holders	Units	% of Issued Capital
1 - 1,000	61	13,754	0.00%
1,001 - 5,000	28	78,087	0.00%
5,001 - 10,000	40	379,077	0.02%
10,001 - 100,000	3,496	146,328,491	9.20%
100,001 - 9,999,999,999	1,866	1,444,192,859	90.77%
Totals	**5,491**	**1,590,992,268**	**100.00%**

Based on the price per security of 0.034 being the closing price of securities on 15 September 2020, the number of holders with an unmarketable holding is 628, with total 6,652,239 Shares, amounting to 0.42% of Issued Capital.

Unlisted Options

27,000,000 unlisted options with an exercise price of $0.045 per option are held by 2 individual shareholders.

5,500,000 unlisted options with an exercise price of $0.045 per option are held by 15 individual shareholders.

4,521,274 unlisted options with an exercise price of $0.047 per option are held by 15 individual shareholders.

3,000,000 unlisted options with an exercise price of $0.077 per option are held by 3 individual shareholders.

4,500,000 unlisted options with an exercise price of $0.054 per option are held by 1 individual shareholder.

7,500,000 unlisted options with an exercise price of $0.082 per option are held by 1 individual shareholder.

5,000,000 unlisted options with an exercise price of $0.040 per option are held by 1 lead broker.

18,401,282 unlisted options with an exercise price of $0.025 per option are held by 12 individual shareholders.

15,400,000 unlisted options with an exercise price of $0.025 per option are held by 1 lead broker.

142,400,000 unlisted options with an exercise price of $0.025 per option are held by 9 individual shareholders.

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.

Share buy-back

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

Shareholder Enquiries

Shareholders with enquiries about their shareholdings should contact the share registry.

For change of address, change of name, consolidation of shareholdings, shareholders should contact the Share registry to obtain details of the procedure required for any of these changes.