Cipherpoint Limited
(Formerly known as Covata Limited)
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	Cipherpoint Limited (Formerly known as Covata Limited)
ABN:	61 120 658 497
Reporting period:	For the year ended 31 March 2020
Previous period:	For the nine-month period ended 31 March 2019

2. Results for announcement to the market

In the current period, Cipherpoint Limited ('the Group') has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for annual reporting periods commencing on or after 1 January 2019.

In 2019, the Group changed its financial year from 30 June to 31 March. The financial statements have been prepared for the year ended 31 March 2020, while the comparative accounting period is for the 9 months ended 31 March 2019, therefore the results are not directly comparable.

On 16 July 2019, the Company completed the disposal of its SafeShare business through the sale of its shares in Cocoon Data Holdings Pty Limited ('Cocoon') to Cybr5 Pty Ltd ('Cybr5'). In accordance with AASB 5, the disposal group comprising Cocoon and its subsidiaries has been classified as 'held for sale'.

The comparative period (being the 9 months ended 31 March 2019) for the statement of profit & loss has therefore been restated with the same classification applied.

Refer to Note 2 for the impact of adoption of AASB 16 on the Group.

			$
Revenues from ordinary activities	down 31.1%	to	1,094,984
Revenues from continuing operations	up > 100.0%	to	673,478
Loss from ordinary activities after tax attributable to the owners of Cipherpoint Limited	up > 91.92%	to	(673,045)
Loss for the year attributable to the owners of Cipherpoint Limited	up > 91.92%	to	(673,045)

	Year ended 31 Mar 2020 Cents	**9 months ended 31 Mar 2019 Cents**
Basic earnings per share	(1.97)	(24.34)
Diluted earnings per share	(1.97)	(24.34)

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

Comments
The loss for the Group after providing for income tax amounted to $673,045 (31 March 2019: $8,333,570).

Refer to the 'Review of operations' section of the Directors' report accompanying this Appendix 4E for further commentary.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	1.46	(1.87)

4. Control gained over entities

The Company gained control of a German shelf company, renamed Cipherpoint GmbH in November 2019.

5. Loss of control over entities

Refer to notes 8, 10, 18 and 29 for further details on discontinued operations.

6. Dividends

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

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

7. Audit qualification or review

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

The financial statements have been audited and an unqualified opinion has been issued. The auditor’s report contains a paragraph addressing material uncertainty related to going concern.

8. Attachments

Details of attachments (if any):

The Annual Report of Cipherpoint Limited for the year ended 31 March 2020 is attached.

9. Signed

Signed ______________________________

Date: 26 May 2020

Ted Pretty
Chairman
Sydney

Cipherpoint Limited

(Formerly known as Covata Limited)

ABN 61 120 658 497

Annual Report - 31 March 2020

Contents

31 March 2020

Directors	Edward Pretty (Executive Chairman) Graham Mirabito Steven Bliim
Joint Company secretaries	Steven Bliim Patrick Gowans
Registered office	Level 8, 171 Clarence Street Sydney, NSW, 2000 Telephone: (02) 8412 8200
Share register	Boardroom Pty Limited Level 12, 225 George Street Sydney, NSW, 2000
Auditor	Nexia Sydney Audit Pty Limited Level 16, 1 Market Street Sydney, NSW 2000
Stock exchange listing	Cipherpoint Limited shares are listed on the Australian Securities Exchange (ASX code: CPT)
Website	www.cipherpoint.com
Corporate Governance Statement	Cipherpoint Limited and the Board of Directors are committed to achieving and demonstrating the highest standards of corporate governance. Cipherpoint Limited has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (3rd Edition) published by the ASX Corporate Governance Council. Details of the corporate governance report is available on the Group website at https://cipherpoint.com/ir/#governance

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Cipherpoint Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 31 March 2020.

Directors

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

Edward Pretty - Executive Chairman
Steven Bliim - Executive Director and COO
Graham Mirabito - Non-Executive Director (appointed 1 November 2019)
William McCluggage - Former Non-Executive Chairman (resigned 31 October 2019)

Principal activities

The principal activity of the Group is the development and commercialisation of intellectual property primarily in the field of data security technology.

Dividends

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

Review of operations

The loss for the Group after providing for income tax amounted to $673,045 (31 March 2019: $8,333,570).

In 2019, the Group changed its financial year from 30 June to 31 March. The financial statements have been prepared for the year ended 31 March 2020, while the comparative accounting period is for the 9 months ended 31 March 2019, therefore the results are not directly comparable.

As at 31 March 2020, the Group held $920,935 (2019: $1,605,067) in cash and term deposits.

Highlights

- In May 2019, the Group announced that it had signed a master Supply and Services agreement with DHL Information Services (Europe) s.r.o. (DHL). The initial order was to the value of €244,360.
- The Group consolidated its issued capital on the basis that every 20 fully paid ordinary shares be consolidated into 1 fully paid ordinary share. The purpose of the consolidation is to implement a more appropriate capital structure for the Group.
- The Company established its base for European operations in November 2019 in Heilbronn, Germany.

Product update

With the divestiture of SafeShare, Cipherpoint's focus is on the remaining products cp.Protect and cp.Discover as well as continuing to look for opportunities to resell dataglobal GmbH's ("**dataglobal**") content services capabilities.

This change in focus and rebranding to Cipherpoint required a significant upgrade to the website and collateral which was completed in November 2019 and has now evolved into a second phase which began in December 2019 with search engine optimisation and improvements in online lead generation.

Key development work undertaken during the financial year to 31 March 2020 included:

cp.Protect

- Version 10.1.2: This incremental update included improvements to Agentless Eclipse (for SharePoint Online/ OneDrive protection), permission enforcement, security and usability. Customers have been advised the Company is no longer supporting versions older than version 10 and the support team is working with customers to assist in upgrading.
- Version 10.3.3: This version included support for SharePoint 2019, customer supplied encryption hardware (HSM), Active Directory integration, performance improvements and bug fixes.
- Projects are currently underway to improve both user interface and user experience as well as improve the underlying performance of cp.Protect. These products are anticipated for completion in the quarter ending 30 June 2020.

cp.Discover:
cp.OEM
A framework to allow third party application developers to use cp.Protect within their own products has been prepared and is being offered to potential customers. Further investment in this will depend on market interest.

cp.Cloud and cp.Cloud+
This is a major roadmap initiative to further extend the application of our existing cp.Protect value proposition to online data repositories and collaboration tools. cp.Cloud which offers enterprises a single console for data control is now complete and cp.Cloud+, now under development, will enable enterprises to create and manage their own encryption keys for sensitive information that resides inside of Office 365, SharePoint Online and Microsoft Teams. This requires a new approach for the technology and is anticipated to be completed by the quarter ending 31 December 2020.
Marketing
In November 2019, the group undertook a complete redesign of the Company's branding and website. The objective of the redesign was to more easily distinguish the core capability of the Company's stable of products as well as improve the ease with which potential customers could find the Company on the internet.

Following the rebranding and redesign, focus quickly shifted to improving performance of the Group's lead generation and digital marketing capability. The Company retained a dedicated digital marketing resource in Europe. This subsequent work has involved improving the readability of the Company's product pages on the website as well as requiring small investment in advertising through channels such as Google, LinkedIn and Xing as well as launching a series of campaigns targeted at potential decision makers highlighting which problems the Company's products solve.

As a result, the Group has experienced a dramatic increase in monthly inbound leads, from an average of 10 leads per month to in excess of 50 leads per month. Another consequence of these improvements has seen a dramatic increase in the Company's search rankings on Google, particularly in Europe. This means that the Company can more easily be found by those organisations searching for solutions to common data protection, digital transformation and risk management problems.

Channel Development
Cipherpoint has renewed its focus on building a channel partner network for the revised product set, whilst continuing to support direct sales where needed to establish market presence and gain firsthand experience in relation to how customers are using the products. Progress has been good and key highlights are:

- Asia Pacific
  Three new sales through our Singapore partner, Total eBusiness Solutions. A partnership agreement with a larger Australian based consulting services company is progressing with discussions on how to lead engagement with our target segments continuing.
- Europe
  Cipherpoint GmbH was established in Germany in November 2019 to support DHL and expand business in the Germany-Austrian and Swiss (DACH) region of Europe. To that end, Steven Bliim relocated to Germany along with one of our senior engineers. Deployment with DHL has moved from staging and is now in production with new users being added to the platform each month. Progress has been made with a number of strategic opportunities surfacing during this time as well the engagement of new channel partners and resellers for the region. The level of interest has confirmed our view that the European market continues to maintain an interest in additional protection of on-prem SharePoint instances and will be ready to maintain that level of control once they are ready to commence transition to cloud instances of SharePoint.
- America
  Cipherpoint is not proactively pursuing partners in these territories, but online marketing has seen a lift in interest from potential customers and partners. The Company has signed a partnership agreement with a managed service provider and continues to receive maintenance and services renewals from existing partners and direct customers it has worked with previously.

Cipherpoint – entering FY2021 with renewed confidence
As detailed throughout this report, the year has seen the Group's growth in capability and opportunity.

The Board would like to publicly thank all involved at Cipherpoint for their hard work and dedication over the past year and look forward to seeing results from the valued work they do.

Significant changes in the state of affairs

The Group changed its name to Cipherpoint Limited (ASX: CPT) from Covata Limited (ASX: CVT) following the general meeting on 17 December 2019 consistent with the Company's renewed focus on the cp.Protect product.

Divestment of SafeShare
The Group completed the disposal of the SafeShare business to Cyber 5 Pty Ltd in July 2019 for $5 million, which was discharged as follows:

- $2 million through the extinguishment of the Group's obligations under convertible notes;
- $2 million in cash at completion of the sale; and
- $1 million in the form of a vendor terms loan from Cipherpoint (on terms which would be customary for unsecured loans obtained from any major Australian bank, such as a business overdraft account, or such other terms as agreed between Cybr5 and Cipherpoint).

The sale was subject to a global, perpetual, royalty-free licence of the IP and platforms developed by Cocoon and Covata Australia Pty Limited ('CVA') back to Cipherpoint for use in its ongoing businesses, other than to be used for a development of a product not connected to the Group's core product range. Cipherpoint and Cybr5 have also entered into a mutual collaboration and reselling relationship.

Excluded from the sale were all assets in and shares of CipherPoint Software, Inc. and all customers of its Eclipse product, the rights to the dataglobal GmbH classification IP, all IP to Cipherpoint's data security console, and all other IP and/or associated technical support and architecture materials which are held outside of Cocoon or CVA.

The sale has freed up resources to allow management to focus on the Eclipse product.

dataglobal

- In September 2019, the Company announced that it was no longer pursuing the acquisition of dataglobal GmbH, Heilbronn ('dataglobal'). Despite its best efforts, the Company was unable to reach the minimum subscription required to complete the proposed transaction with dataglobal under the terms of the offer.
- The Board is of the view that the strategy underpinning the acquisition, being a vision to create a content services player, remains compelling. The Board notes it will be open to and will consider all options to pursue the same or alternative transaction(s) in content services going forward, whether in the short or medium term.
- The Company continues to enjoy a close relationship with dataglobal. Notwithstanding the merger transaction is no longer being pursued at this time, dataglobal has offered to support the Company with marketing, channel and direct customer introductions and office accommodation for the business based in Heilbronn Germany. Both parties have agreed to collaborate and will look for further ways to work together.

Resumption of trading
Following its suspension on 30 January 2019, in connection with the pursuit of the dataglobal transaction, the Company's quoted securities were reinstated to trading by the ASX on 2 December 2019.

Matters subsequent to the end of the financial year
The following events have arisen since 31 March 2020 which may affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Asset recovery
As shareholders may be aware the Company was subject to a backdoor listing of its data security business in 2014. At that time, the Company traded as Prime Minerals Limited and held various mining tenements directly and through its subsidiaries.

A review of ASX records, annual reports and agreements created at or around that time (copies of which we have now recently obtained) have revealed that in 2008 the Company sold its interests in certain mining exploration tenements in an area known as the Barrambie project in Western Australia. The sale to Neometals Limited (then called Reed Resources Limited) included an entitlement to a Net Smelter Royalty (NSR) of 2% over output from a defined tenement area. The Company is presently seeking advice with respect to the NSR. At this time, the Company has not formed a view on the potential value of the NSR, if any.

Capital raising
The Company released its Share Placement Plan ('SPP') Prospectus on 27 April 2020 to raise up to $500,000. Shareholders each will be entitled to subscribe for up to $30,000 of shares at a price of 1.3c per share.

Shareholders will note that the ASX has waived SPP requirements for the number of shares issued to be limited to 30% of the issued capital and the issue price to be at least 80% of the VWAP. The SPP issue price is a matter for reasonable determination by the Board. These temporary measures will expire on 31 July 2020 unless ASX decides to remove or extend them.

The decision of the Board on the terms of the SPP has been made after assessing the alternatives in the context of the Coronavirus Economic Response Package Omnibus Act 2020, the concessions made by the ASX on capital raisings during the Covid-19 crisis and also reviewing comparable market discounts.

Investment and Co-Venture discussions
The Company has been meeting with potential equity investors in Europe given the focus of the business in that market. All discussions have been conducted under suitable Non-Disclosure Agreements and are preliminary and non-binding in nature. One structure that has been discussed is creating a joint venture entity into which the business of the Company will be transferred with new European investors injecting capital into that vehicle. The Company has taken preliminary advice that, subject to the final terms of any arrangement, this would not be a disposal of its main undertaking as its main undertaking before the transfer will be the same as after any such transfer (i.e. software services). Any such arrangement may require consultation with ASX and potentially shareholder approval. The potential investor is presently conducting due diligence on the business and has spoken with the Company's largest customer. There is no guarantee that these discussions will result in any venture or investment.

COVID-19
Subsequent to the reporting date, the existence of the infectious disease COVID-19 ('Coronavirus') has become widely known, and begun to rapidly spread throughout the world, including Australia. The Company considers this to be a non-adjusting event after the reporting date. Since the reporting date this has caused increasing disruption to populations, and to business and economic activity. As this situation is rapidly developing, it is not yet practicable to estimate the potential impact this may have on the Group.

No other matter or circumstance has arisen since 31 March 2020 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations
The Group will continue to pursue opportunities to commercialise and market its patented security technology across markets in a number of countries around the globe. Operating costs will continue to outpace revenue until sales from current and future contracts commence to generate significant revenue streams.

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

Information on directors

Name:	Edward Pretty
Title:	Executive Chairman
Experience and expertise:	Edward is a widely recognised senior technology and telecommunications executive with significant experience in complex networks, data hosting and security, as well as a deep knowledge of emerging trends in security and information technology. Joining Cipherpoint as Managing Director and Chief Executive Officer in January 2017, his responsibilities include driving revenue, developing the sales pipeline, guiding new product development and exploring near-term growth opportunities. Most recently, Edward was a senior adviser at Macquarie Group, supporting principal investments in emerging companies, covering information governance, big data and analytics, security and encryption. His career has included roles such as Group Managing Director of Technology Innovation and Product at Telstra Group, Chairman of Fujitsu Limited, Chairman of ASX-listed NEXTDC Limited and RP Data Limited, Advisory Chairman of Tech Mahindra and Managing Director and Chief Executive Officer of Hills Limited.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	443,149 ordinary shares
Interests in options:	37,732 options over ordinary shares
Interests in rights:	1,401,540 ordinary shares issued pursuant to employee loan share plan

Name:	Steven Bliim
Title:	Executive Director and Chief Operational Officer
Experience and expertise:	Steven has been with Cipherpoint since 2012 and during this time has played a key role in the group's expansion into the US, UK and Europe along with the reverse acquisition of Prime Minerals Limited, subsequent re-listing of Cipherpoint Limited on the Australian Securities Exchange and the acquisition of CipherPoint Software Inc. In addition to his role as director, and COO, Steven is also Joint Company Secretary. Prior to joining Cipherpoint, Steven worked in business services and tax advisory for over seven years, consulting primarily to small-to-medium enterprise and primary production businesses. Steven is a member of Chartered Accountants Australia & New Zealand, and holds a Bachelor of Commerce – Accounting from the University of South Australia.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	8,022 ordinary shares
Interests in options:	15,596 options over ordinary shares
Interests in rights:	326,781 ordinary shares issued pursuant to employee loan share plan

Name:	Graham Mirabito (appointed on 1 November 2019)
Title:	Non-Executive Director
Experience and expertise:	Graham has over 35 years' experience in the information technology industry including 10 years in engineering and 25 years in sales, marketing, operations, mergers, acquisitions and general management. Graham has held senior roles at Telstra as MD Telstra Europe and EVP Telstra Asia. Graham's previous role for 12 years was as CEO of RP Data which he took public on the ASX in 2006 and was acquired by strategic shareholder CoreLogic in 2011. His last executive role was as CEO of CoreLogic international and was responsible for operations in Australia, Asia and UK. Graham holds an Associate Diploma in Electrical Engineering from the Queensland University of Technology.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	482,206 ordinary shares
Interests in options:	14,881 options over ordinary shares
Interests in rights:	133,300 ordinary shares issued pursuant to employee loan share plan

Name:	William McCluggage (resigned 31 October 2019)
Title:	Non-Executive Chairman
Experience and expertise:	With over 15 years of experience working as an IT Director, Chief Technology Officer and Chief Information Officer within central government and the private sector, William plays a critical role for Covata in sales and contract deployment within the UK and Northern Ireland government sector. Currently Managing Director of Laganview Associates, a digital and technology services consultancy, he is also Head of Information Security on the UK's Open Banking Programme in London, Entrepreneur-in-Residence at Catalyst (formerly Northern Ireland Science Park), a member of the Board of Governors of the Northern Regional College in Northern Ireland and Executive Chairman of Community Mechanics. Previously, William served as Chief Information Officer for the Irish Government, leading the development and implementation of an Information and Communications Technology ('ICT') strategy. He was also Chief Technologist of Dell EMC's public sector business, where he was a trusted adviser to the UK and Ireland's public sector customers, and the UK's Deputy Government Chief Information Officer at the UK Cabinet Office, responsible for ICT strategies and policies. William began his career as an engineering officer with the Royal Air Force, where he worked for 24 years. He held posts in the UK and USA and supported operations in Africa, Cyprus, Norway, Canada and the Falkland Islands. He finished his career as the Technical Director of a Defence Agency.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	66,700 ordinary shares at resignation
Interests in options:	40,000 options over ordinary shares at resignation

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

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

Company secretaries

Patrick Gowans - Joint Company Secretary
Patrick graduated from La Trobe University in 2006 with a Bachelor of Laws/Arts. He was admitted to practice as a lawyer in March 2008. Patrick is currently a Partner of Quinert Rodda & Associates Lawyers.

Steven Bliim - Joint Company Secretary
Steven has held the role of Company Secretary since 2012. See 'Information on directors' above for further information.

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 31 March 2020, and the number of meetings attended by each director were:

	Attended	Held
Edward Pretty	6	6
Steven Bliim	6	6
Graham Mirabito	2	2
William McCluggage	4	4

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

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

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

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Consequences of performance on shareholders' wealth
- Additional disclosures relating to KMP

Principles used to determine the nature and amount of remuneration
The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:
- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation; and
- transparency.

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

In FY2020, it was the role of the Board to review and make recommendations in relation to the remuneration arrangements for its directors and executives.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:
- having economic profit as a core component of plan design;
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracting and retaining high calibre executives.

Additionally, the reward framework should seek to enhance executives' interests by:
- rewarding capability and experience;
- reflecting competitive reward for contribution to growth in shareholder wealth; and
- providing a clear structure for earning rewards.

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

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

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

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 7 August 2019, where the shareholders approved a maximum annual aggregate remuneration of $480,000.

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

The executive remuneration and reward framework has four components:
- base pay and non-monetary benefits;
- short-term performance incentives;
- long-term incentives; and
- other remuneration such as superannuation and long service leave.

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

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

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

Equity instruments

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

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

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

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

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

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

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

(iii) Ordinary share issues
The Board may offer KMP and selected directors' incentives that are settled in ordinary shares of the Company from time to time. This assists the Board in balancing the needs of the Company, while providing an appropriate mix of cash and non-cash incentives to directors and KMP.

Short-term incentive plan ('STIP')
The Chief Executive Officer and the KMP are eligible to participate in the STIP in a manner determined by the Board from time to time. Participants in the STIP have a target cash payment which is set as a percentage of their total fixed annual remuneration, subject to a maximum target of 100% for the Chief Executive Officer, 75% for the Chief Technology Officer and 15% for the Chief Financial Officer.

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

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

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

Following the annual general meeting on 16 October 2018, shareholders approved the renewal of the Employee Share Option Plan ('ESOP'). This plan, in addition to the existing Employee Loan Share Plan ('ELSP'), provides the Company with the means to incentivise its KMP with instruments that have the purpose of aligning the medium to long-term goals of the Board with the success of the Group.

Share options and loan funded share plan shares issued under the LTIP
The following grants were provided to the Executive Directors and Non-Executive Directors of the Group during the year ended 31 March 2020:

- Loan funded share plan shares granted to Graham Mirabito on 11 November 2019, with components as follows:

  133,300 shares with a loan price of 30c, a term of 10 years and vest in the following tranches: 50% on 31 October 2020 and 6.25% to vest quarterly for the remaining 8 calendar quarters.

There were no grants provided to other KMP during the year ended 31 March 2020.

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

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

Use of remuneration consultants
During the financial year ended 31 March 2020, the Group did not engage remuneration consultants, to review its existing remuneration policies and provide recommendations on how to improve both the STI and LTI programs.

Voting and comments made at the Company's 2019 Annual General Meeting ('AGM')
At the 2019 AGM, 88% of the votes received supported the adoption of the remuneration report for the 9 months ended 31 March 2019. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

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

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

Amounts of remuneration
Details of the remuneration of key management personnel of the Group are set out in the following tables.

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

- Edward Pretty - Executive Chairman (Former Managing Director and Chief Executive Officer)
- Steven Bliim - Executive Director, Chief Operating Officer and Joint Company Secretary (Former Chief Financial Officer)
- Graham Mirabito (appointed 1 November 2019) – Non-Executive Director
- William McCluggage (resigned on 31 October 2019) - Former Non-Executive Chairman

And the following persons as KMP:

- Hugh Stodart – Head of Product and Delivery (KMP from 1 April 2019)

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		
	Cash salary and fees	Commission	Cash bonus (a)	Super-annuation / 401K	Employee benefits	Equity-settled (b)	Termination	Total
Year ended 31 Mar 2020	$	$	$	$	$	$	$	$
Non-Executive Directors:								
Graham Mirabito	33,333	-	-	-	-	11,453	-	44,786
William McCluggage (c)	40,833	-	-	-	-	(2,425)	-	38,408
Executive Directors:								
Edward Pretty	518,010	-	(270,600)	24,970	-	111,988	-	384,368
Steven Bliim (d)	305,541	-	(17,200)	24,772	-	32,571	-	345,684
Other KMP:								
Hugh Stodart	192,850	-	30,278	21,197	8,413	35,816	-	288,554
	1,090,567	-	(257,522)	70,939	8,413	189,403	-	1,101,800

(a) Cash-settled award issued under the STIP were accrued for Edward Pretty and Steven Bliim in the nine months ended 31 March 2019 and a portion reversed in the year ended 31 March 2020.
(b) Represents the fair value of vested share-based payments granted in prior years to William and represents the fair value vesting of loan funded share plan shares issued to Graham, Edward, Steven and Hugh.
(c) Represents remuneration from 1 April 2019 to date of resignation 31 October 2019.
(d) Cash payments to Steven Bliim include a travel allowance and relocation costs totalling $35,256 in relation to his relocation to Germany.

9 months ended 31 Mar 2019	Short-term benefits: Cash salary and fees	Short-term benefits: Com-mission	Short-term benefits: Cash bonus (a)	Post-employ-ment benefits: Super-annuation / 401K	Long-term benefits: Employee benefits	Share-based payments: Equity-settled (b)	Termination	Total
	$	$	$	$	$	$	$	$
Non-Executive Directors:								
William McCluggage	52,500	-	-	-	-	3,234	-	55,734
Lindsay Tanner (c)	37,917	-	-	3,602	-	2,156	-	43,675
David Irvine (c)	27,083	-	-	2,573	-	2,156	-	31,812
Executive Directors:								
Edward Pretty	336,833	-	451,000	15,399	11,748	182,106	-	997,086
Steven Bliim	145,833	-	27,000	14,541	1,126	71,939	-	260,439
Other KMP:								
Derek Brown	240,000	19,619	-	15,399	(4,363)	91,925	102,538	465,118
Woody Shea	143,728	-	-	-	(7,291)	56,266	44,041	236,744
	983,894	19,619	478,000	51,514	1,220	409,782	146,579	2,090,608

(a) Cash-settled award issued under the STIP was accrued (and not paid) contingent on the dataglobal acquisition.
(b) Represents the fair value of vested share-based payments granted in prior years to William, Lindsay and David and represents the fair value vesting of loan funded share plan shares issued to Edward, Steven, Derek and Woody.
(c) Represents remuneration from 1 July 2018 to date of resignation.

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

Name	Fixed remuneration: Year ended 31 Mar 2020	Fixed remuneration: 9 months ended 31 Mar 2019	At risk - STI: Year ended 31 Mar 2020	At risk - STI: 9 months ended 31 Mar 2019	At risk - LTI: Year ended 31 Mar 2020	At risk - LTI: 9 months ended 31 Mar 2019
Non-Executive Directors:						
Graham Mirabito	74%	-	-	-	26%	-
William McCluggage	106%	94%	-	-	(6%)	6%
Executive Directors:						
Edward Pretty	141%	38%	(70%)	44%	29%	18%
Steven Bliim	96%	64%	(5%)	10%	9%	26%
Other KMP:						
Hugh Stodart	77%	-	11%	-	12%	-
Derek Brown	-	71%	-	5%	-	24%
Woody Shea	-	72%	-	-	-	28%

Service agreements

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

Name:	Graham Mirabito
Title:	Non-Executive Director
Agreement commenced:	1 November 2019
Term of agreement:	No fixed duration
Details:	Fixed annual remuneration of $80,000

Name:	William (Bill) McCluggage
Title:	Non-Executive Chairman
Agreement commenced:	21 October 2016
Resignation	31 October 2019
Term of agreement:	No fixed duration
Details:	Fixed annual remuneration $70,000

Executive directors
Remuneration and other terms of employment for the executive directors are formalised in service agreements in the form of employment agreements. Details of these agreements are as follows:

Name:	Edward (Ted) Pretty
Title:	Executive Chairman
Agreement commenced:	Originally commenced on 23 January 2017, commenced as executive chairman on 1 January 2020
Term of agreement:	An initial term of 12 months
Details:	● Fixed consulting fee of $25,000 per month or annual remuneration of $300,000. In February 2020, Mr. Pretty advised shareholders that he would be stepping down from an Executive Director role to that of Non-Executive Chairman of the Group and would consequently forgo his entitlement to further consulting fees effective from the end of April. ● Fixed monthly director's fee $10,000 ● Fixed monthly allowance $1,000 Ted or the Company may terminate the employment contract by giving either party 3 months written notice.

Name:	Steven Bliim
Title:	Executive Director, Chief Operating Officer and Joint Company Secretary
Agreement commenced:	January 2019
Term of agreement:	No fixed term
Details:	● Fixed annual remuneration €156,000 (A$245,000) plus superannuation ● Entitled to participate in a STIP capped at a maximum of 30% of his fixed annual remuneration based upon achievement of a range of financial and non-financial objectives set in consultation with the Board. ● Entitled to Company provided health insurance Steven or the Company may terminate the employment contract by giving either party 1 months and 2 months written notice, respectively. Under specific circumstances, employment may be terminated by the Company at any time with or without notice (serious misconduct, failure to perform duties, or other specified circumstances).

Other key management personnel
Other key management personnel have employment contracts setting out the terms and conditions of their employment.

These contracts generally provide for:
- A base salary denominated in either Australian or US Dollars and paid monthly
- For US KMP, payment of health and dental insurance, eligible 401K
- Eligibility to participate in the STIP, with target participation in the STIP individually capped at a maximum percentage of total fixed annual remuneration up to 50%
- A grant of share options over the ordinary shares of Cipherpoint Limited

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Details of these agreements are as follows:

Name:	Hugh Stodart
Title:	Head of Product and Delivery
Agreement commenced:	1 July 2017
Term of agreement:	No fixed term
Details:	● Fixed annual remuneration of $193,800 plus superannuation ● Monthly phone allowance $50 ● Entitled to participation in a STIP based upon achievement of a range of financial and non-financial objectives set in consultation with the Chief Executive Officer

Share-based compensation

Employee Loan Share Plan
Details of ordinary shares issued to directors and other KMP under the Employee Loan Share Plan Agreement ('ELSP') as part of compensation during the period ended 31 March 2020 are set out below:

Name	Issue date	ELSP shares	Loan amount per share	Term in years	Fair value ($)
Graham Mirabito (a)	11/11/2019	133,300	0.300	10	34,971

(a) 50% at 30 Oct 2020; 6.25% to vest every calendar quarter thereafter for 8 calendar quarters

Options
No options were granted to directors and other KMP during the year ended 31 March 2020.

Additional disclosures relating to KMP

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

	Balance at the start of the year	Received as part of remuneration	Additions	Consolidation	Balance at the end of the year
Ordinary shares					
William McCluggage	1,334,148	-	-	(1,267,440)	66,708*
Edward Pretty	36,893,751	-	-	(35,049,062)	1,844,689
Steven Bliim	6,696,036	-	-	(6,361,233)	334,803
Graham Mirabito	9,644,113	133,300	-	(9,161,907)	615,506
Hugh Stodart	7,520,136	-	-	(7,144,128)	376,008
	62,088,184	133,300	-	(58,983,770)	3,237,714

*As at resignation date 31 October 2019

As at 31 March 2020, the number of ordinary shares above held by Edward Pretty, Steven Bliim, Graham Mirabito and Hugh Stodart include shares issued under the Employee Loan Share Plan. The shares held by Edward Pretty, Steven Bliim, Graham Mirabito and Hugh Stodart under the Employee Loan Share Plan are 1,401,540, 326,781, 133,300 and 354,190 respectively.

Graham Mirabito and Hugh Stodart became KMP in the year ended 31 March 2020. Derek Brown and Woody Shea are no longer KMP during the year ended 31 March 2020.

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

	Balance at the start of the year	Granted/ (Exercised)	Expired/ forfeited/ other	Consolidation	Balance at the end of the year
Options over ordinary shares					
William McCluggage	1,000,000	-	(200,000)	(760,000)	40,000*
Steven Bliim	300,000	-	-	(285,000)	15,000
	1,300,000	-	(200,000)	(1,045,000)	55,000

*As at resignation date 31 October 2019

Loans to key management personnel and their related parties
During the period ended 31 March 2020 there were no loans granted to KMP and their related parties.

Consequences of performance on shareholders' wealth
In considering the Group's performance and benefits for shareholder's wealth, the Remuneration Committee have regard to the following financial and share price information in respect of the current financial year and the previous four financial years.

The earnings of the Group for the five years to 31 March 2020 are summarised below:

	2020 $	2019 $	2018 $	2017 $	2016 $
Loss attributable to owners of the Company	(673,045)	(8,333,570)	(7,443,469)	(10,179,664)	(14,116,627)
Change in share price	(0.01)	(0.01)	(0.02)	(0.20)	(0.10)

This concludes the remuneration report, which has been audited.

Shares under option

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

		Pre-consolidation		After share consolidation			
Grant date	Expiry date	Exercise price	Number under option	Exercise price	Balance at start of the year	Lapsed	Balance at end of the year
31/07/2013	30/07/2018	$0.1467	4,122,040	$2.9340	206,102	(206,102)	-
01/12/2013	30/11/2018	$0.2000	5,000,000	$4.0000	250,000	(250,000)	-
01/08/2014	31/07/2019	$0.2000	1,237,500	$4.0000	61,875	(61,875)	-
12/03/2015	11/03/2020	$0.3300	231,400	$6.6000	11,570	(11,570)	-
30/10/2015	29/10/2020	$0.2850	300,000	$5.7000	15,000	-	15,000
17/12/2015	16/12/2020	$0.1950	490,669	$6.6000	24,535	-	24,535
21/07/2016	20/07/2021	$0.1950	150,000	$3.9000	7,500	-	7,500
04/05/2017	03/05/2022	$0.2000	2,466,680	$4.0000	123,334	(83,334)	40,000
22/06/2017	21/06/2022	$0.0500	693,700	$1.0000	34,685	(20,685)	14,000
17/08/2017	16/08/2022	$0.0450	4,055,220	$0.9000	202,761	(30,673)	172,088
21/08/2017	20/08/2022	$0.0500	633,740	$1.0000	31,687	(31,687)	-
24/11/2017	23/11/2022	$0.0500	8,878,960	$1.0000	443,948	(149,798)	294,150
07/09/2018	06/09/2023	$0.0280	17,375,720	$0.5600	868,786	(288,186)	580,600
					2,281,783	(1,133,910)	1,147,873

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

Shares under Employee loan share plan

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

		Pre-consolidation		After share consolidation				
Grant date	Expiry date	Exercise price	Balance at the start of the year	Exercise price	Balance at the start of the year	Granted	Lapsed	Balance at the end of the year
02/12/2013	01/12/2023	$0.1470	7,526,900	$2.9400	376,345	-	-	376,345
20/08/2014	19/08/2024	$0.2000	443,848	$4.0000	22,193	-	-	22,193
11/03/2015	10/03/2025	$0.2850	933,333	$5.7000	46,667	-	-	46,667
12/03/2015	11/03/2025	$0.2850	136,925	$5.7000	6,847	-	-	6,847
08/12/2015	07/12/2025	$0.3300	132,167	$6.6000	6,609	-	-	6,609
27/01/2017	26/01/2027	$0.1200	175,000	$2.4000	8,750	-	-	8,750
04/05/2017	03/05/2027	$0.0290	4,000,000	$0.5800	200,000	-	-	200,000
04/05/2017	03/05/2027	$0.0270	6,000,000	$0.5400	300,000	-	-	300,000
23/06/2017	22/06/2027	$0.2000	5,762,694	$4.0000	288,135	-	(62,194)	225,941
24/11/2017	23/11/2027	$0.0550	28,934,367	$1.1000	1,446,719	-	(61,814)	1,384,905
06/03/2017	05/03/2027	$0.0500	3,941,141	$1.0000	197,058	-	(85,105)	111,953
07/09/2018	06/09/2028	$0.0280	30,581,674	$0.5600	1,529,084	-	(125,907)	1,403,177
19/10/2018	18/10/2028	$0.0280	7,678,500	$0.5600	383,925	-	-	383,925
01/11/2019	31/10/2029	$0.0000	-	$0.3000	-	133,300	-	133,300
			96,246,640		4,812,332	133,300	(335,020)	4,610,612

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

Shares issued on the exercise of options
There were no ordinary shares of Cipherpoint Limited issued on the exercise of options during the year ended 31 March 2020 and up to the date of this report.

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

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

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

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

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

Non-audit services
Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 24 to the financial statements.

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

The directors are of the opinion that the services as disclosed in note 24 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:
- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Officers of the company who are former directors of Nexia Sydney Audit Pty Ltd
There are no officers of the Company who are former directors of Nexia Sydney Audit Pty Ltd.

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

Auditor
Nexia Sydney Audit Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

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

On behalf of the directors

Ted Pretty
Chairman

26 May 2020
Sydney

Nexia Australia

Auditor's Independence Declaration under section 307C of the *Corporations Act 2001*

As lead audit director for the audit of the financial statements of Cipherpoint Limited for the year ended 31 March 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Nexia

Nexia Sydney Audit Pty Ltd

Lester Wills
Director

Date: 26 May 2020

Sydney

Nexia Sydney Audit Pty Ltd
Level 16, 1 Market Street
Sydney NSW 2000
PO Box H195
Australia Square NSW 1215
p +61 2 9251 4600
f +61 2 9251 7138
e info@nexiasydney.com.au
w nexia.com.au

Cipherpoint Limited
(Formerly known as Covata Limited)
Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 March 2020

	Note	Consolidated Year ended 31 Mar 2020 $	9 months ended 31 Mar 2019 $
Revenue from continuing operations			
Revenue - technology related products and services	5	673,478	217,040
Expenses			
Employee benefit expense	6	(2,210,535)	(2,642,438)
Consultancy fees expense		(95,609)	(163,652)
Depreciation and amortisation expense	6	(361,304)	(609,205)
Impairment of assets	12	(1,012,828)	(1,827,567)
Recovery/(impairment) of receivables		8,039	(6,162)
Legal and professional fees expense		(685,462)	(254,251)
Marketing and promotion expense		(297,202)	(222,962)
Travel and accommodation expense		(235,071)	(202,499)
Office and administration expense		(209,890)	(61,019)
Other expenses		(458,995)	(480,772)
Total expenses		(5,566,896)	(6,470,527)
Results from operating activities		(4,893,418)	(6,253,487)
Finance income calculated using the effective interest method		47,029	9,204
Finance costs	6	(4,270)	(156,093)
Loss before income tax expense from continuing operations		(4,850,659)	(6,400,376)
Income tax expense	7	-	-
Loss after income tax expense from continuing operations		(4,850,659)	(6,400,376)
Profit/(loss) after income tax expense from discontinued operations	8	4,177,614	(1,933,194)
Loss after income tax expense for the year attributable to the owners of Cipherpoint Limited		(673,045)	(8,333,570)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(173,598)	(25,357)
Other comprehensive income for the year, net of tax		(173,598)	(25,357)
Total comprehensive income for the year attributable to the owners of Cipherpoint Limited		(846,643)	(8,358,927)
Total comprehensive income for the year is attributable to:			
Continuing operations		(5,024,257)	(6,425,733)
Discontinued operations		4,177,614	(1,933,194)
		(846,643)	(8,358,927)

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

		Consolidated	
	Note	Year ended 31 Mar 2020 $	9 months ended 31 Mar 2019 $
		Cents	Cents
Earnings per share for loss from continuing operations attributable to the owners of Cipherpoint Limited			
Basic earnings per share	31	(14.16)	(18.77)
Diluted earnings per share	31	(14.16)	(18.77)
Earnings per share for profit/(loss) from discontinued operations attributable to the owners of Cipherpoint Limited			
Basic earnings per share	31	12.20	(5.67)
Diluted earnings per share	31	12.20	(5.67)
Earnings per share for loss attributable to the owners of Cipherpoint Limited			
Basic earnings per share	31	(1.97)	(24.44)
Diluted earnings per share	31	(1.97)	(24.44)

Cipherpoint Limited
(Formerly known as Covata Limited)
Consolidated statement of financial position
As at 31 March 2020

	Note	Consolidated 31 Mar 2020 $	Consolidated 31 Mar 2019 $
Assets			
Current assets			
Cash and cash equivalents		920,935	1,605,067
Trade and other receivables	9	83,709	739,137
Prepayments		41,204	46,119
		1,045,848	2,390,323
Assets of disposal group classified as held for sale	10	-	203,517
Total current assets		1,045,848	2,593,840
Non-current assets			
Property, plant and equipment	11	24,086	11,745
Intangibles	12	-	1,287,680
Other non-current assets	13	88,949	95,752
Total non-current assets		113,035	1,395,177
Total assets		1,158,883	3,989,017
Liabilities			
Current liabilities			
Trade and other payables	14	409,051	1,477,487
Contract liabilities	15	188,990	163,882
Derivative liability	16	-	253,433
Borrowings	16	-	1,031,466
Employee benefits	17	31,136	56,162
		629,177	2,982,430
Liabilities directly associated with assets classified as held for sale	18	-	341,966
Total current liabilities		629,177	3,324,396
Non-current liabilities			
Contract liabilities		28,532	18,549
Total non-current liabilities		28,532	18,549
Total liabilities		657,709	3,342,945
Net assets		501,174	646,072
Equity			
Issued capital	19	93,120,766	93,120,766
Reserves	20	3,311,334	8,758,203
Accumulated losses		(95,930,926)	(101,232,897)
Total equity		501,174	646,072

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

Cipherpoint Limited
(Formerly known as Covata Limited)
Consolidated statement of changes in equity
For the year ended 31 March 2020

Consolidated	Share capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2018	92,206,341	7,651,195	(94,344,633)	5,512,903
Adjustment for change in accounting policy	-	(377)	1,246,574	1,246,197
Balance at 1 July 2018 - restated	92,206,341	7,650,818	(93,098,059)	6,759,100
Loss after income tax expense for the year	-	-	(8,333,570)	(8,333,570)
Other comprehensive income for the year, net of tax	-	(25,357)	-	(25,357)
Total comprehensive income for the year	-	(25,357)	(8,333,570)	(8,358,927)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 19)	914,425	-	-	914,425
Share based payments – share options	-	259,404	-	259,404
Share based payments – employee loan shares	-	804,051	-	804,051
Share options lapsed	-	(151,219)	151,219	-
Employee loan shares lapsed	-	(47,513)	47,513	-
Warrants issued (note 20)	-	268,019	-	268,019
Balance at 31 March 2019	93,120,766	8,758,203	(101,232,897)	646,072

Consolidated	Share capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 April 2019	93,120,766	8,758,203	(101,232,897)	646,072
Loss after income tax expense for the year	-	-	(673,045)	(673,045)
Other comprehensive income for the year, net of tax	-	(173,598)	-	(173,598)
Total comprehensive income for the year	-	(173,598)	(673,045)	(846,643)
Transactions with owners in their capacity as owners:				
Share based payments – share options	-	88,865	-	88,865
Share based payments – employee loan shares	-	373,154	-	373,154
Share options lapsed	-	(1,367,766)	1,367,766	-
Warrants issued (note 20)	-	239,726	-	239,726
Cancellation of Cisco warrants (note 20)	-	(4,607,250)	4,607,250	-
Balance at 31 March 2020	93,120,766	3,311,334	(95,930,926)	501,174

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

Cipherpoint Limited
(Formerly known as Covata Limited)
Consolidated statement of cash flows
For the year ended 31 March 2020

	Consolidated	
	Year ended 31 Mar 2020 $	**9 months ended 31 Mar 2019 $**
Cash flows from operating activities		
Loss before income tax expense for the year	(673,045)	(8,333,570)
Adjustments for:		
Depreciation and amortisation	361,304	632,631
Impairment of non-current assets	1,012,828	1,831,615
Net loss on disposal of property, plant and equipment	2,698	-
Share-based payments	456,597	1,063,455
Foreign exchange differences	(173,598)	(25,734)
Gain on disposal of business (note 8)	(5,240,593)	-
	(4,253,809)	(4,831,603)
Change in operating assets and liabilities:		
Decrease in trade and other receivables	809,536	353,103
Decrease/(increase) in prepayments	19,956	(32,860)
Increase/(decrease) in trade and other payables	(670,888)	173,970
Increase/(decrease) in contract liabilities including adjustments for adoption of AASB 15	35,091	(15,277)
Increase/(decrease) in employee benefits	(55,267)	(23,381)
	(4,115,381)	(4,376,048)
Net finance costs	411,635	6,029
Net cash used in operating activities	(3,703,746)	(4,370,019)
Cash flows from investing activities		
Refund of investments in term deposits	102,293	-
(Payment)/Refund of deposits	(24,960)	64,700
Payment for acquisition of intellectual property	(485,010)	(553,875)
Acquisition of controlled entity (net of cash received)	(6,032)	-
Payment for acquisition of property, plant and equipment	(32,005)	-
Proceeds from disposal of business	3,024,200	-
Net cash from/(used in) investing activities	2,578,486	(489,175)
Cash flows from financing activities		
Proceeds from the issue of shares	-	618,460
Payment of share issue costs	-	(22,500)
Payment of convertible note issue costs	(71,446)	-
Proceeds from borrowings - convertible notes payable	500,000	1,400,000
Net cash from/(used in) financing activities	428,554	1,995,960
Net decrease in cash and cash equivalents	(696,706)	(2,863,234)
Cash and cash equivalents at the beginning of the financial year	1,605,067	4,471,616
Effects of exchange rate changes on cash and cash equivalents	12,574	(3,315)
Cash and cash equivalents at the end of the financial year	920,935	1,605,067

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

Note 1. General information

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

The Group changed its financial year from 30 June to 31 March. The financial statements have been prepared for the 12 months ended 31 March 2020. The comparative accounting period is for the 9 months ended 31 March 2019; therefore, the results are not directly comparable.

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

Suite 4, Level 8, 171 Clarence Street
Sydney, NSW 2000

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 18 May 2020.

Note 2. Significant accounting policies

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

New or amended Accounting Standards and Interpretations adopted

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

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

The following Accounting Standards and Interpretations are most relevant to the Group:

AASB 16 Leases
The Group has adopted AASB 16 from 1 April 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Note 2. Significant accounting policies (continued)

Impact of adoption
AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption on opening accumulated losses as at 1 April 2019 was nil as follows:

	1 April 2019 $'000
Operating lease commitments as at 1 April 2019 (AASB 117)	202,881
Short term leases not recognised as a right-of-use asset	(82,851)
Operating lease extinguished through divestment	(120,030)
Reduction on opening accumulated losses as at 1 April 2019	-

In October 2019, the Group committed to another short-term lease of one year, that will continue to be accounted for as an expense as incurred and not capitalised as a right-of use asset and corresponding lease liability.

Practical expedients applied
In adopting AASB 16, the Group has used the following practical expedients permitted by the standard:

- applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- accounted for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases;
- excluded initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Interpretation 23 Uncertainty over Income Tax
The Group has adopted Interpretation 23 from 1 April 2019. The interpretation clarifies how to apply the recognition and measurement requirements of AASB 112 'Income Taxes' in circumstances where uncertain tax treatments exists. The interpretation requires: the Group to determine whether each uncertain tax treatment should be treated separately or together, based on which approach better predicts the resolution of the uncertainty; the Group to consider whether it is probable that a taxation authority will accept an uncertain tax treatment; and if the Group concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates, measuring the tax uncertainty based on either the most likely amount or the expected value. In making the assessment it is assumed that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. Interpretation 23 was adopted using the modified retrospective approach and as such comparatives have not been restated. There was no impact of adoption on opening retained profits as at 1 April 2019.

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

The Group is in the commercialisation stage of its data security technology. During the year ended 31 March 2020, the Group incurred a loss after tax of $673,045 (2019: $8,333,570), current assets exceeded current liabilities by $416,671 and incurred net cash outflows from operating activities of $3,703,746 (2019: $4,370,019). At 31 March 2020, the Group had cash and cash equivalents of $920,935 (2019: $1,605,067). The Group has prepared cashflow forecasts as at 31 March 2020 to determine the appropriateness of the going concern assumption.

The key assumptions underlying these forecasts are as follows:
- Completion of a capital raising in the amount of $500,000 from existing shareholders by June 2020 and additional capital raising when and as required;
- The Company securing on-going renewals and licence fees from existing and new customers; and
- Management continuing to maintain costs in line with available resources.

Note 2. Significant accounting policies (continued)

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

However, forecast events may not occur as expected as many external and internal factors impact on future events. In the event that these objectives are not realised, directors have in place a strategy to restructure commitments and expenditure in order to manage the Group's cash flows so that it is able to continue as a going concern.

Basis of preparation

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

Historical cost convention

The financial statements have been prepared under the historical cost convention. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services.

Critical accounting estimates

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

Change of financial year end

In 2019, the Group changed its financial year from 30 June to 31 March. The financial statements have been prepared for the year ended 31 March 2020, while the comparative accounting period is for the 9 months ended 31 March 2019, therefore the results are not directly comparable.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 28.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Cipherpoint Limited as at 31 March 2020 and the results of all subsidiaries for the year then ended.

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

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

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

Note 2. Significant accounting policies (continued)

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

Operating segments

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

Foreign currency translation

Foreign currency transactions

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

Foreign operations

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

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

Revenue recognition

The Group recognises revenue as follows:

Revenue from contracts with customers

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

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

Rendering of services

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

Note 2. Significant accounting policies (continued)

Technology related products and services are comprised of the following services:
(a) Software licence
For a sale of a software licence that the Group is not subject to significant integration services or continued maintenance and support, control transfers at the point in time the customer takes undisputed delivery of the goods. When such items are either customised or sold together with significant integration services, the goods and services represent a single combined performance obligation over which control is considered to transfer over time. This is because the combined product is unique to each customer (has no alternative use) and the Group has an enforceable right to payment for the work completed to date. Revenue for these performance obligations is recognised over time as the Group continues to support the license.

(b) Maintenance and support
The Group enters into maintenance and support contracts with its customers generally between one and three years in length, which includes customer support, updates and upgrades. Customers generally pay in advance for each 12-month service period and the relevant payment due dates are specified in each contract. Revenue is recognised over the life of the contract.

Research and development tax concession
Research and development tax incentives are recognised in the profit or loss when there is reasonable assurance that the Group will comply with the conditions attached to them.

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

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

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

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

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

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

Note 2. Significant accounting policies (continued)

Cipherpoint Limited (the 'head entity') and its wholly owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

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

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Discontinued operations

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

Current and non-current classification

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

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

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

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

Cash and cash equivalents

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

Trade and other receivables

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

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

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

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Note 2. Significant accounting policies (continued)

Derivatives are classified as current or non-current depending on the expected period of realisation.

Non-current assets or disposal groups classified as held for sale

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

Property, plant and equipment

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

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

Leasehold improvement	Over the lease term
Plant and equipment	1.5 - 5 years

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

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

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

Leases

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

Intangible assets

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

Intellectual property

Significant costs associated with intellectual property are deferred and amortised on a straight-line basis over the period of their expected benefit, being their life of 4-5 years.

Note 2. Significant accounting policies (continued)

Impairment of non-financial assets
Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

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

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

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

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

Convertible notes
The convertible notes are classified as a liability in the statement of financial position, net of transaction costs due to the conversion features within the notes being the obligation to deliver a variable number of shares on settlement.

On the issue of the convertible notes the fair value of the liability is recognised as cash received net of transaction costs and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion, maturity or redemption. The interest on convertible notes is expensed to profit or loss using the effective interest method.

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

Employee benefits

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

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

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

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

Note 2. Significant accounting policies (continued)

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

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

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

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

Fair value measurement

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

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

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

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

Earnings per share

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

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

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Note 2. Significant accounting policies (continued)

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

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

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 31 March 2020. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

New Conceptual Framework for Financial Reporting
A revised Conceptual Framework for Financial Reporting has been issued by the AASB and is applicable for annual reporting periods beginning on or after 1 January 2020. This release impacts for-profit private sector entities that have public accountability that are required by legislation to comply with Australian Accounting Standards and other for-profit entities that voluntarily elect to apply the Conceptual Framework. Phase 2 of the framework is yet to be released which will impact for-profit private sector entities. The application of new definition and recognition criteria as well as new guidance on measurement will result in amendments to several accounting standards. The issue of AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework, also applicable from 1 January 2020, includes such amendments. Where the Group has relied on the conceptual framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under Australian Accounting Standards, the Group may need to revisit such policies. The Group will apply the revised conceptual framework from 1 April 2020 and is yet to assess its impact.

Note 3. Critical accounting judgements, estimates and assumptions

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

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

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

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

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

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

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

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

Note 4. Operating segments

Identification of reportable operating segments
The Group operates in one segment, based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

As a result, the operating segment information is as disclosed in the statements and notes to the financial statements throughout the report.

No seasonality in the business segment has been identified that would have a significant impact on the results of the Group.

Note 5. Revenue

	Consolidated	
	Year ended 31 Mar 2020 $	**9 months ended 31 Mar 2019 $**
Revenue from contracts with customers:		
Revenue - technology related products and services	673,478	217,040

Note 5. Revenue (continued)

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

	Consolidated	
	Year ended 31 Mar 2020 $	9 months ended 31 Mar 2019 $
Major product lines		
License	328,468	28,558
Maintenance and Support	66,034	167,392
Services	278,976	21,090
	673,478	217,040
Geographical regions		
Australasia	48,408	10,442
United States of America	239,596	164,687
United Kingdom	10,820	6,557
Germany	351,772	25,479
Singapore	22,882	9,875
	673,478	217,040
Timing of revenue recognition		
Goods transferred at a point in time	394,502	49,648
Services transferred over time	278,976	167,392
	673,478	217,040

Note 6. Expenses

	Consolidated	
	Year ended 31 Mar 2020 $	**9 months ended 31 Mar 2019 $**
Loss before income tax from continuing operations includes the following specific expenses:		
Depreciation		
Plant and equipment	16,452	2,588
Amortisation		
Intellectual property	344,852	606,617
Total depreciation and amortisation	361,304	609,205
Impairment of assets		
Goodwill	-	894,713
Intellectual property	1,012,828	932,854
Total impairment of assets	1,012,828	1,827,567
Employee benefit expense		
Wages and salaries	1,512,693	1,044,475
Non-executive director fees	74,166	139,167
Recruitment and sourcing	31,536	-
Other employee related expenses	118,998	33,428
Payroll taxes	77,777	57,945
Defined contribution superannuation expense	113,324	64,915
Bonus - cash component	(85,384)	226,858
Equity settled share-based payments	291,973	1,057,430
Commissions	75,453	18,220
Total employee benefits	2,210,535	2,642,438
Finance costs		
Interest and finance charges paid/payable on borrowings	4,270	3,175
Interest charges payable in relation to Convertible notes	-	152,918
Finance costs expensed	4,270	156,093

Note 7. Income tax

	Consolidated	
	Year ended 31 Mar 2020 $	9 months ended 31 Mar 2019 $
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense from continuing operations	(4,850,659)	(6,400,376)
Profit/(loss) before income tax expense from discontinued operations	4,177,614	(1,933,194)
	(673,045)	(8,333,570)
Tax at the statutory tax rate of 27.5%	(185,087)	(2,291,732)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Permanent differences	528,751	1,108,955
Effect of tax losses and temporary differences not taken to account	(42,078)	(161,023)
Current year losses not recognised	(301,586)	1,343,800
Income tax expense	-	-

	Consolidated	
	31 Mar 2020 $	31 Mar 2019 $
Deferred tax assets not recognised		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Temporary differences	471,610	780,094
Tax losses	8,051,316	10,161,659
Total deferred tax assets not recognised	8,522,926	10,941,753

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

Note 8. Discontinued operations

Divestment of SafeShare

The Company completed the disposal of the SafeShare business in July 2019 for $5,000,000 in respect of the Cocoon sale which was discharged as follows:

- $2,000,000 through the extinguishment of the Company's obligations under convertible notes;
- $2,000,000 in cash at completion of the Cocoon sale; and
- $1,000,000 in the form of a vendor terms loan from Cipherpoint (on terms which would be customary for unsecured loans obtained from any major Australian bank, such as a business overdraft account, or such other terms as agreed between Cybr5 and Cipherpoint).

The sale is subject to a global, perpetual, royalty-free licence of the IP and platforms developed by Cocoon and Covata Australia Pty Limited ('CVA') back to Cipherpoint for use in its ongoing businesses, other than to be used for a development of a product not connected to the Company's core product range. Cipherpoint and Cybr5 have also entered into a mutual collaboration and reselling relationship.

Excluded from the sale are all assets in and shares of CipherPoint Software, Inc. and all customers of its Eclipse (cp.Protect) product, the rights to the dataglobal GmbH classification IP, all IP to Cipherpoint's data security console, and all other IP and/or associated technical support and architecture materials which are held outside of Cocoon or CVA.

Note 8. Discontinued operations (continued)

The sale has freed up resources to allow management to focus on the Eclipse (cp.Protect) and cp.Discover products along with the continued partnership with dataglobal.

Financial performance information

	Consolidated	
	Year ended 31 Mar 2020 $	9 months ended 31 Mar 2019 $
Revenue - technology related products and services	316,718	663,856
Research and development tax concession	104,788	709,295
Total revenue	421,506	1,373,151
Employee benefit expense	(648,617)	(2,236,483)
Consultancy fees expense	(151,451)	(104,797)
Depreciation and amortisation expense	-	(23,426)
Impairment of receivables	(16,934)	(4,386)
Legal and professional fees expense	(51,653)	(39,393)
Marketing and promotion expense	(14,371)	(57,887)
Travel and accommodation expense	(10,488)	(86,785)
Office and administration expense	(97,447)	(373,366)
Other expenses	(38,697)	(379,822)
Finance costs	(454,827)	-
Total expenses	(1,484,485)	(3,306,345)
Loss before income tax expense	(1,062,979)	(1,933,194)
Gain on disposal before income tax expense	5,240,593	-
Income tax expense	-	-
Profit/(loss) after income tax expense from discontinued operations	4,177,614	(1,933,194)

Cash flow information

	Consolidated	
	Year ended 31 Mar 2020 $	9 months ended 31 Mar 2019 $
Net cash used in operating activities	(1,062,979)	(2,646,872)
Net cash from investing activities	3,024,200	-
Net cash used in financing activities	-	-
Net increase in cash and cash equivalents from discontinued operations	1,961,221	(2,646,872)

Cash flows from investing activities relate solely to the proceeds from the disposal of the SafeShare business.

Note 8. Discontinued operations (continued)

Carrying amounts of assets and liabilities disposed

	Consolidated	
	Year ended 31 Mar 2020 $	9 months ended 31 Mar 2019 $
Trade and other receivables	4,147	152,552
Prepayments	19,460	15,041
Property, plant and equipment	28,237	35,924
Total assets	51,844	203,517
Trade and other payables	-	87,459
Contract liabilities - current	303,017	111,717
Employee benefits	-	102,196
Contract liabilities - non-current	-	40,594
Provisions	69,420	-
Total liabilities	372,437	341,966
Net liabilities	(320,593)	(138,449)

Details of the disposal

	Consolidated
	Year ended 31 Mar 2020 $
Carrying amount of net liabilities disposed	320,593
Cash	2,000,000
Assumption of convertible notes including interest	2,000,000
Vendor terms loan	1,000,000
Less working capital adjustment	(150,000)
Sub-total	5,170,593
Intangible license received ($7,000 per license for up to 10 users)	70,000
Gain on disposal before income tax	5,240,593

Note 9. Current assets - trade and other receivables

	Consolidated	
	31 Mar 2020 $	31 Mar 2019 $
Trade receivables	57,702	40,476
Less: Allowance for expected credit losses	(2,509)	(6,162)
	55,193	34,314
Research and development tax concession receivable	-	704,823
GST/ VAT receivables	28,516	-
	83,709	739,137

Allowance for expected credit losses
The Group has recognised a net gain of $3,653 (2019: loss of $6,162) in profit or loss in respect of the expected credit losses for the year ended 31 March 2020.

The method used to calculate the expected credit loss rate was based on revenue type and categorisation for each customer based on their life cycle. The following rates were applied:
- 3% for continuing SaaS customers
- 5% for new customers on a term license
- 15% for maintenance and support renewals

Movements in the allowance for expected credit losses are as follows:

	Consolidated	
	31 Mar 2020 $	31 Mar 2019 $
Opening balance	6,162	-
Additional provisions recognised	4,386	6,162
Unused amounts reversed	(8,039)	-
Closing balance	2,509	6,162

Note 10. Current assets - assets of disposal group classified as held for sale

Refer for further details in Note 8 - Discontinued operations.

	Consolidated	
	31 Mar 2020 $	31 Mar 2019 $
Trade receivables	-	129,625
GST / VAT receivables	-	22,927
Prepayments	-	15,042
Property, plant and equipment	-	35,923
	-	203,517

Note 11. Non-current assets - property, plant and equipment

	Consolidated	
	31 Mar 2020	31 Mar 2019
	$	$
Plant and equipment - at cost	47,578	42,651
Less: Accumulated depreciation	(23,492)	(30,906)
	24,086	11,745

The lease held by the Group at Level 4, 81 York Street, Sydney was transferred to Cybr5 Pty Ltd upon the completion of the divestment of SafeShare.

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

Consolidated	Leasehold improvement $	Plant and equipment $	Total $
Balance at 1 July 2018	40,099	33,293	73,392
Additions	-	290	290
Classified as held for sale	(25,663)	(10,260)	(35,923)
Depreciation expense	(14,436)	(11,578)	(26,014)
Balance at 31 March 2019	-	11,745	11,745
Additions	-	32,005	32,005
Disposals	-	(3,212)	(3,212)
Depreciation expense	-	(16,452)	(16,452)
Balance at 31 March 2020	-	24,086	24,086

Note 12. Non-current assets - intangibles

	Consolidated	
	31 Mar 2020	31 Mar 2019
	$	$
Intellectual property - at cost	3,300,713	3,230,713
Less: Accumulated amortisation	(1,581,000)	(1,010,179)
Less: Impairment	(1,719,713)	(932,854)
	-	1,287,680

Note 12. Non-current assets - intangibles (continued)

Reconciliations

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

Consolidated	Goodwill $	Intellectual property $	Total $
Balance at 1 July 2018	886,434	2,820,224	3,706,658
Effects of movements in exchange rate	8,279	6,927	15,206
Impairment of assets	(894,713)	(932,854)	(1,827,567)
Amortisation expense	-	(606,617)	(606,617)
Balance at 31 March 2019	-	1,287,680	1,287,680
Additions	-	70,000	70,000
Impairment of assets	-	(1,012,828)	(1,012,828)
Amortisation expense	-	(344,852)	(344,852)
Balance at 31 March 2020	-	-	-

Goodwill was recognised upon the acquisition of CipherPoint Software, Inc (CipherPoint) in connection with the acquired IP, technology, staff, customers and processes of the business. During the period ended 31 March 2019, the Company announced a major transformational acquisition and further capital raising. As a consequence of these changes and uncertainty around the availability of resources to further utilise the existing CipherPoint business, management determined that it was prudent to recognise an impairment of the acquired goodwill of $894,713.

For the period ended 31 March 2019, the Group also assessed internal impairment indicators in relation to the intellectual property of Eclipse and the carrying amount was greater than the value in use therefore an impairment loss of $932,854 was recognised in profit or loss at 31 March 2019.

For the year ended 31 March 2020, the Group has assessed internal and external impairment indicators in relation to the intellectual property of the acquired dataglobal IP. However, the value in use calculations were speculative as the Group has one year's history of sales and cannot accurately predict future growth. Consequently, an impairment loss of $959,385 (2019: $0) was recognised in profit or loss at 31 March 2020.

The divestment of SafeShare included a global, perpetual, royalty-free licence of the IP and platforms developed by Cocoon and Covata Australia Pty Limited ('CVA') back to Cipherpoint for use in its ongoing businesses, other than to be used for a development of a product not connected to the Group's core product range. The Group recognised a fair value of $70,000 at 16 July 2019 and fully impaired the written down value of $53,443 during the year ended 31 March 2020.

Note 13. Non-current assets - other non-current assets

	Consolidated	
	31 Mar 2020 $	**31 Mar 2019 $**
Rental bonds	-	36,009
Security deposits	73,740	44,534
Domain names	15,209	15,209
	88,949	95,752

Note 14. Current liabilities - trade and other payables

	Consolidated	
	31 Mar 2020 $	31 Mar 2019 $
Trade payables	108,117	37,384
Other payables and accrued expenses	300,934	1,440,103
	409,051	1,477,487

Refer to note 22 for further information on financial instruments.

Note 15. Current liabilities - contract liabilities

	Consolidated	
	31 Mar 2020 $	31 Mar 2019 $
Contract liabilities	188,990	163,882

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

Opening balance	163,882	559,003
Payments received in advance	571,025	197,910
Transfer on transition to AASB 15 on 1 July 2018	-	(204,748)
Contract liabilities held for sale	-	(111,717)
Contract liabilities disposed	(178,176)	
Transfer to revenue - performance obligations satisfied	(367,741)	(276,566)
Closing balance	188,990	163,882

Unsatisfied performance obligations (current and non-current)
The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was $217,522 as at 31 March 2020 ($182,431 as at 31 March 2019) and is expected to be recognised as revenue in future periods as follows:

	Consolidated	
	31 Mar 2020 $	31 Mar 2019 $
Within 6 months	124,112	93,051
6 to 12 months	60,198	70,888
12 to 18 months	10,445	18,492
18 to 24 months	8,696	-
More than 24 months	14,071	-
	217,522	182,431

The unsatisfied performance obligations include the non-current balance.

Note 16. Current liabilities - borrowings

	Consolidated	
	31 Mar 2020 $	31 Mar 2019 $
Derivative liability	-	253,433

	Consolidated	
	31 Mar 2020 $	31 Mar 2019 $
Convertible notes payable	-	1,031,466

Refer to note 22 for further information on financial instruments.

The Company issued 77,777,781 convertible notes at a price of $0.018 per note with 58,620,689 attaching warrants exercisable at $0.028 and with a term of 18 months from 22 February 2019.

The total face value of the convertible note was $1,400,000. This liability comprised of three components, being the host debt liability ($878,548), the embedded derivative liability ($253,433) for the conversion feature and the cost of the warrant issue ($268,019). The interest expense on the host liability component up to 31 March 2019 amounted to $152,918.

There was no movement in the fair value of the derivative liability at 31 March 2019. Due to the 6 month expiry of the convertible notes, the derivative liability was classified as current.

The cost of the warrants is disclosed in note 20.

The Company's obligations under the convertible notes was extinguished when the Cocoon sale was settled. Refer to note 8 for further information.

Note 17. Current liabilities - employee benefits

	Consolidated	
	31 Mar 2020 $	31 Mar 2019 $
Annual leave	31,136	45,977
Long service leave	-	10,185
	31,136	56,162

Note 18. Current liabilities - liabilities directly associated with assets classified as held for sale

Refer to note 8 for further details on discontinued operations.

	Consolidated	
	31 Mar 2020 $	31 Mar 2019 $
Trade and other payables	-	87,460
Contract liabilities	-	152,310
Employee benefits	-	102,196
	-	341,966

Note 19. Equity - issued capital

	Consolidated			
	31 Mar 2020 Shares	**31 Mar 2019 Shares**	**31 Mar 2020 $**	**31 Mar 2019 $**
Ordinary shares - fully paid	34,244,326	34,244,326	93,120,766	93,120,766

Movements in ordinary share capital

Details	**Date**	**Shares**	**Issue price**	**$**
Balance	1 July 2018	646,717,745		92,206,341
Issue of rights (a)	12 July 2018	16,513,792	$0.0280	462,387
CipherPoint Milestone Two shares (b)	20 July 2018	12,977,400	$0.0245	318,465
Share purchase plan (c)	18 February 2019	8,666,647	$0.0180	156,073
Less: share issue costs (d)		-	$0.0000	(22,500)
Balance	31 March 2019	684,875,584		93,120,766
Share consolidation at 20:1 (e)	15 August 2019	(650,631,258)	$0.0000	-
Balance	31 March 2020	34,244,326		93,120,766

During the period ended 31 March 2019, the Group completed the following transactions in respect of the issue of ordinary shares:

(a) The Group issued 16,513,792 ordinary shares in the Company totalling $462,387 as part of the rights issue.
(b) The Group issued 12,977,400 ordinary shares in the Company totalling $318,465 as part of the acquisition of CipherPoint – representing Milestone Two payment.
(c) The Group issued 8,666,647 ordinary shares in the Company totalling $156,073 as part of the share purchase plan.
(d) The Group paid $22,500 in brokerage fees relating to (c).
(e) The Group consolidated its shareholding by 20 shares to 1 share.

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

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

Share consolidation
On 7 August 2019, the shareholders at the annual general meeting approved the 20:1 share consolidation. The consolidation occurred on 15 August 2019.

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

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

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

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

Note 19. Equity - issued capital (continued)

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment. The Group is actively pursuing additional investments in the short term.

The capital risk management policy remains unchanged from the 31 March 2019 Annual Report.

Note 20. Equity - reserves

	Consolidated	
	31 Mar 2020 $	31 Mar 2019 $
Foreign currency reserve	(456,753)	(283,155)
Share-based payments reserve	3,260,342	4,166,089
Warrants reserve	507,745	4,875,269
	3,311,334	8,758,203

Foreign currency reserve
The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars.

Share-based payments reserve and warrants reserve
These reserves are used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

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

Consolidated	Foreign currency $	Share-based payments $	Warrants $	Total $
Balance at 1 July 2018	(257,421)	3,301,366	4,607,250	7,651,195
Foreign currency translation	(25,734)	-	-	(25,734)
Share-based payments - share options	-	259,404	-	259,404
Share-based payments - employee loan shares	-	804,051	-	804,051
Share options lapsed	-	(151,219)	-	(151,219)
Employee loan shares lapsed	-	(47,513)	-	(47,513)
Warrants issued	-	-	268,019	268,019
Balance at 31 March 2019	(283,155)	4,166,089	4,875,269	8,758,203
Foreign currency translation	(173,598)	-	-	(173,598)
Share-based payments - share options	-	88,865	-	88,865
Share-based payments - employee loan shares	-	373,154	-	373,154
Share options lapsed	-	(1,367,766)	-	(1,367,766)
Warrants issued	-	-	239,726	239,726
Cancellation of Cisco warrants *	-	-	(4,607,250)	(4,607,250)
Balance at 31 March 2020	(456,753)	3,260,342	507,745	3,311,334

* During the year, the Company cancelled the Cisco warrants following the termination of a Software License Agreement effective 16 March 2015.

Note 21. Equity - dividends

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

Note 22. Financial instruments

Financial risk management objectives

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

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

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

Market risk

Foreign currency risk

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

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

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

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

	Assets		Liabilities	
Consolidated	**31 Mar 2020 $**	**31 Mar 2019 $**	**31 Mar 2020 $**	**31 Mar 2019 $**
USD	84,454	184,287	(207,925)	(67,621)
EUR	177,027	36,687	(49,739)	(473,190)
GBP	18,267	47,874	-	(5,740)
	279,748	268,848	(257,664)	(546,551)

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

Note 22. Financial instruments (continued)

	AUD strengthened			AUD weakened		
Consolidated - 31 Mar 2020	**% change**	**Effect on profit before tax**	**Effect on equity**	**% change**	**Effect on profit before tax**	**Effect on equity**
USD	10%	12,347	12,347	10%	(12,347)	(12,347)
EUR	10%	12,729	12,729	10%	(12,729)	(12,729)
GBP	10%	1,827	1,827	10%	(1,827)	(1,827)
		26,903	26,903		(26,903)	(26,903)

	AUD strengthened			AUD weakened		
Consolidated - 31 Mar 2019	**% change**	**Effect on profit before tax**	**Effect on equity**	**% change**	**Effect on profit before tax**	**Effect on equity**
USD	10%	11,667	11,667	10%	(11,667)	(11,667)
EUR	10%	43,650	43,650	10%	(43,650)	(43,650)
GBP	10%	4,213	4,213	10%	(4,213)	(4,213)
		59,530	59,530		(59,530)	(59,530)

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

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

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

	31 Mar 2020		31 Mar 2019	
Consolidated	**Weighted average interest rate %**	**$**	**Weighted average interest rate %**	**$**
Cash and cash equivalents	0.004%	920,935	0.004%	1,503,373
Term deposits and rental bonds	0.001%	73,740	0.001%	44,534
Convertible notes payable	-	-	11.000%	(1,031,466)
Net exposure to cash flow interest rate risk		994,675		516,441

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

	Consolidated	
	31 Mar 2020 $	**31 Mar 2019 $**
Impact on profit/(loss) for the period	9,947	5,164

Note 22. Financial instruments (continued)

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

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

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

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

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

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

Consolidated - 31 Mar 2020	Weighted average interest rate %	6 months or less $	Between 6 months and 1 year $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives							
Non-interest bearing							
Trade and other payables	-	242,805	-	-	-	-	242,805
Total non-derivatives		242,805	-	-	-	-	242,805

Consolidated - 31 Mar 2019	Weighted average interest rate %	6 months or less $	Between 6 months and 1 year $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives							
Non-interest bearing							
Trade and other payables *	-	475,754	1,001,732	-	-	-	1,477,486
Interest-bearing							
Convertible notes payable	-	1,400,000	-	-	-	-	1,400,000
Total non-derivatives		1,875,754	1,001,732	-	-	-	2,877,486

* The total trade and other payables includes $473,190 (€300,000) payable that may be settled as part of the dataglobal acquisition.

Note 22. Financial instruments (continued)

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

Note 23. Fair value measurement

Fair value hierarchy
The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three-level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

Consolidated - 31 Mar 2020
There were no assets or liabilities measured at fair value as at 31 March 2020.

Consolidated - 31 Mar 2019	Level 1 $	Level 2 $	Level 3 $	Total $
Liabilities				
Derivative liability on convertible note	-	253,433	-	253,433
Total liabilities	-	253,433	-	253,433

Assets and liabilities held for sale are measured at fair value on a non-recurring basis.

There were no transfers between levels during the financial year.

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

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

Valuation techniques for fair value measurements categorised within level 2 and level 3
Unquoted investments have been valued using a discounted cash flow model.

Derivative financial instruments have been valued using quoted market rates. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.

Note 24. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Nexia Sydney Audit Pty Ltd, the auditor of the Company:

	Consolidated	
	Year ended 31 Mar 2020 $	9 months ended 31 Mar 2019 $
Audit services - Nexia Sydney Audit Pty Ltd		
Audit or review of the financial statements	72,032	67,500
Other services - Nexia Sydney Partnership		
In relation to other assurance, taxation and due diligence services	130,662	11,140
	202,694	78,640

Note 25. Contingent liabilities

The Group had no contingent liabilities as at 31 March 2020 and 31 March 2019.

Note 26. Key management personnel disclosures

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

	Consolidated	
	Year ended 31 Mar 2020 $	9 months ended 31 Mar 2019 $
Short-term employee benefits	833,045	1,481,513
Post-employment benefits	70,939	51,514
Long-term benefits	8,413	1,220
Termination benefits	-	146,579
Share-based payments	189,403	409,782
	1,101,800	2,090,608

Note 27. Related party transactions

Parent entity
Cipherpoint Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 29.

Key management personnel
Disclosures relating to key management personnel are set out in note 26 and the remuneration report included in the directors' report.

Note 27. Related party transactions (continued)

Transactions with related parties
There were no transactions with related parties during the current and previous financial year.

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

Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date.

Note 28. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	Year ended 31 Mar 2020 $	9 months ended 31 Mar 2019 $
Profit/(loss) after income tax	4,309,686	(2,456,324)
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income	4,309,686	(2,456,324)

Statement of financial position

	Parent	
	31 Mar 2020 $	31 Mar 2019 $
Total current assets	734,201	22,598
Total non-current assets	48,637	1,287,679
Total assets	782,838	1,310,277
Total current liabilities	374,344	425,457
Total non-current liabilities	25,986	1,031,466
Total liabilities	400,330	1,456,923
Net assets/(liabilities)	382,508	(146,646)
Equity		
Issued capital	93,120,766	93,120,766
Foreign currency reserve	(456,753)	(299,713)
Share-based payments reserve	3,260,342	4,182,646
Warrants reserve	507,745	4,875,269
Accumulated losses	(96,049,592)	(102,025,614)
Total equity/(deficiency)	382,508	(146,646)

Note 28. Parent entity information (continued)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 31 March 2020 and 31 March 2019.

Contingent liabilities
The parent entity had no contingent liabilities as at 31 March 2020 and 31 March 2019.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 31 March 2020 and 31 March 2019.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

Note 29. Interests in subsidiaries

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

		Ownership interest	
Name	**Principal place of business / Country of incorporation**	**31 Mar 2020 %**	**31 Mar 2019 %**
Cocoon Data Holdings Limited *	Australia	-	100%
CipherPoint Software, Inc.	United States of America	100%	100%
Cocoon Data Pty Limited *	Australia	-	100%
Covata Australia Pty Limited *	Australia	-	100%
Covata USA, Inc. *	United States of America	-	100%
Covata UK Limited *	United Kingdom	-	100%
Cipherpoint Australia Pty Limited **	Australia	100%	-
Cipherpoint GmbH ***	Germany	100%	-

* divested in July 2019
** incorporated in April 2019
*** shelf company acquired in November 2019

Note 30. Changes in liabilities arising from financing activities

Consolidated	Borrowings- convertible notes $
Balance at 1 July 2018	-
Net cash from financing activities	1,400,000
Balance at 31 March 2019	1,400,000
Net cash from financing activities	500,000
Capitalised interest	100,000
Settlement of convertible notes through divestment	(2,000,000)
Balance at 31 March 2020	-

Note 31. Earnings per share

	Consolidated	
	Year ended 31 Mar 2020 $	9 months ended 31 Mar 2019 $
Earnings per share for loss from continuing operations		
Loss after income tax attributable to the owners of Cipherpoint Limited	(4,850,659)	(6,400,376)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	34,244,326	34,095,272
Weighted average number of ordinary shares used in calculating diluted earnings per share	34,244,326	34,095,272
	Cents	**Cents**
Basic earnings per share	(14.16)	(18.77)
Diluted earnings per share	(14.16)	(18.77)

	Consolidated	
	Year ended 31 Mar 2020 $	9 months ended 31 Mar 2019 $
Earnings per share for profit/(loss) from discontinued operations		
Profit/(loss) after income tax attributable to the owners of Cipherpoint Limited	4,177,614	(1,933,194)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	34,244,326	34,095,272
Weighted average number of ordinary shares used in calculating diluted earnings per share	34,244,326	34,095,272
	Cents	**Cents**
Basic earnings per share	12.20	(5.67)
Diluted earnings per share	12.20	(5.67)

	Consolidated	
	Year ended 31 Mar 2020 $	9 months ended 31 Mar 2019 $
Earnings per share for loss		
Loss after income tax attributable to the owners of Cipherpoint Limited	(673,045)	(8,333,570)

Note 31. Earnings per share (continued)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	34,244,326	34,095,272
Weighted average number of ordinary shares used in calculating diluted earnings per share	34,244,326	34,095,272

	Cents	Cents
Basic earnings per share	(1.97)	(24.44)
Diluted earnings per share	(1.97)	(24.44)

14,749,844 post-consolidation options, employees loan shares and warrants at 31 March 2020 were excluded from the weighted average number of ordinary shares used in calculating diluted earnings per share as they were anti-dilutive.

The weighted average number of ordinary shares for 2019 has been restated for the effect of the 20:1 consolidation completed in August 2019, in accordance with AASB 133 'Earnings per share'.

	Number
Weighted average number of ordinary shares used in calculating basic earnings per share (before restatement)	681,905,430
Adjustment required by AASB 133 'Earnings per share'	(647,810,158)
Weighted average number of ordinary shares used in calculating basic earnings per share (after restatement)	34,095,272

15,845,018 post-consolidation options, employees loan shares, warrants and convertible notes at 31 March 2019 were excluded from the weighted average number of ordinary shares used in calculating diluted earnings per share as they were anti-dilutive.

Note 32. Share-based payments

Share option programme

The Group has a share option programme that entitles non-Australian based directors, employees and contractors to purchase shares in the Company. In accordance with this programme, holders of vested options are entitled to purchase share at a price per share as detailed below.

Note 32. Share-based payments (continued)

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

Employee Share Option Plan
31 Mar 2020

		Pre-consolidation		After share consolidation				
Grant date	Expiry date	Exercise price	Balance at the start of the year	Exercise price	Balance at the start of the year	Granted	Lapsed	Balance at the end of the year
31/10/2014	30/10/2019	$0.2220	10,384,825	$4.4410	519,242	-	(519,242)	-
12/03/2015	11/03/2020	$0.3300	231,400	$6.6000	11,570	-	(11,570)	-
30/10/2015	29/10/2020	$0.2850	300,000	$5.7000	15,000	-	-	15,000
17/12/2015	16/12/2020	$0.1950	490,669	$6.6000	24,535	-	-	24,535
21/07/2016	20/07/2021	$0.1950	124,715	$3.9000	7,500	-	-	7,500
04/05/2017	03/05/2022	$0.2000	2,466,670	$4.0000	123,334	-	(83,334)	40,000
22/06/2017	21/06/2022	$0.0450	693,700	$1.0000	34,685	-	(20,685)	14,000
17/08/2017	16/08/2022	$0.0500	4,055,214	$0.9000	202,761	-	(30,673)	172,088
21/08/2017	20/08/2022	$0.0500	633,738	$1.0000	31,687	-	(31,687)	-
24/11/2017	23/11/2022	$0.0500	8,878,957	$1.0000	443,948	-	(149,798)	294,150
07/09/2018	06/09/2023	$0.0280	17,375,719	$0.5600	868,786	-	(288,186)	580,600
			45,635,607		2,281,783	-	(1,135,175)	1,147,873
Weighted average exercise price			$0.0937		$1.8984		$2.7399	$1.0671

The balance of options at the start of the year has been adjusted based on the share consolidation of 20 shares to 1 share during the year.

31 Mar 2019

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Lapsed	Balance at the end of the year
31/10/2014	30/10/2019	$0.2220	10,384,825	-	-	10,384,825
12/03/2015	11/03/2020	$0.3300	231,400	-	-	231,400
30/10/2015	29/10/2020	$0.2850	300,000	-	-	300,000
17/12/2015	16/12/2020	$0.1950	490,669	-	-	490,669
21/07/2016	20/07/2021	$0.1950	124,715	-	-	124,715
08/12/2016	07/12/2021	$0.2000	250,000	-	(250,000)	-
04/05/2017	03/05/2022	$0.0500	3,000,000	-	(533,330)	2,466,670
22/06/2017	21/06/2022	$0.0450	693,700	-	-	693,700
17/08/2017	16/08/2022	$0.0500	5,569,583	-	(1,514,369)	4,055,214
21/08/2017	20/08/2022	$0.0500	1,000,000	-	(366,262)	633,738
24/11/2017	23/11/2022	$0.0500	9,971,479	-	(1,092,522)	8,878,957
07/09/2018	06/09/2023	$0.0280	-	19,523,000	(2,147,281)	17,375,719
			32,016,371	19,523,000	(5,903,764)	45,635,607
Weighted average exercise price			$0.1279	$0.0280	$0.0619	$0.0937

The weighted average remaining contractual life of options outstanding at the end of the financial period was 5 years (2019: 5 years).

Note 32. Share-based payments (continued)

Employee Loan Share Plan

31 Mar 2020

		Pre-consolidation		After share consolidation				
Grant date	Expiry date	Exercise price	Balance at the start of the year	Exercise price	Balance at the start of the year	Granted	Lapsed	Balance at the end of the year
02/12/2013	01/12/2023	$0.1470	7,526,900	$2.9400	376,345	-	-	376,345
20/08/2014	19/08/2024	$0.2000	443,848	$4.0000	22,193	-	-	22,193
11/03/2015	10/03/2025	$0.2850	933,333	$5.7000	46,667	-	-	46,667
12/03/2015	11/03/2025	$0.2850	136,925	$5.7000	6,847	-	-	6,847
08/12/2015	07/12/2025	$0.3300	132,167	$6.6000	6,609	-	-	6,609
27/01/2017	26/01/2027	$0.1200	175,000	$2.4000	8,750	-	-	8,750
04/05/2017	03/05/2027	$0.0290	4,000,000	$0.5800	200,000	-	-	200,000
04/05/2017	03/05/2027	$0.0270	6,000,000	$0.5400	300,000	-	-	300,000
23/06/2017	22/06/2027	$0.2000	5,762,694	$4.0000	288,135	-	(62,194)	225,941
24/11/2017	23/11/2027	$0.0550	28,934,367	$1.1000	1,446,719	-	(61,814)	1,384,905
06/03/2017	05/03/2027	$0.0500	3,941,141	$1.0000	197,058	-	(85,105)	111,953
07/09/2018	06/09/2028	$0.0280	30,581,674	$0.5600	1,529,084	-	(125,907)	1,403,177
19/10/2018	18/10/2028	$0.0280	7,678,500	$0.5600	383,925	-	-	383,925
01/11/2019	31/10/2029	$0.0000	-	$0.3000	-	133,300	-	133,300
			96,246,549		4,812,332	133,300	(335,020)	4,610,612
Weighted average exercise price			$0.0608		$1.2167	$0.3000	$1.4100	$1.1761

The balance at the start of the year has been adjusted based on the share consolidation of 20 shares to 1 share during the year.

31 Mar 2019

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Lapsed	Balance at the end of the year
02/12/2013	01/12/2023	$0.1470	7,526,900	-	-	7,526,900
20/08/2014	19/08/2024	$0.2000	443,848	-	-	443,848
11/03/2015	10/03/2025	$0.2850	933,333	-	-	933,333
12/03/2015	11/03/2025	$0.2850	136,925	-	-	136,925
08/12/2015	07/12/2025	$0.3300	132,167	-	-	132,167
27/01/2017	26/01/2027	$0.1200	175,000	-	-	175,000
04/05/2017	03/05/2027	$0.0290	4,000,000	-	-	4,000,000
04/05/2017	03/05/2027	$0.0270	6,000,000	-	-	6,000,000
23/06/2017	22/06/2027	$0.2000	5,806,412	-	(43,718)	5,762,694
24/11/2017	23/11/2027	$0.0550	29,305,173	-	(370,806)	28,934,367
06/03/2017	05/03/2027	$0.0500	4,085,000	-	(143,859)	3,941,141
07/09/2018	06/09/2028	$0.0280	-	32,392,800	(1,811,126)	30,581,674
19/10/2018	18/10/2028	$0.0280	-	7,678,500	-	7,678,500
			58,544,758	40,071,300	(2,369,509)	96,246,640
Weighted average exercise price			$0.0823	$0.0280	$0.0367	$0.0608

The weighted average remaining contractual life of Employee Loan Shares outstanding at the end of the financial period was 8 years (2019: 9 years).

Note 32. Share-based payments (continued)

Employee loan share plan

During the year ended 31 March 2020, 133,300 ordinary shares in the Company were granted under the ELSP to employees as bonus remuneration (period ended 31 March 2019: 2,003,565 ordinary shares after adjusting for the share consolidation of 20 shares to 1 share).

Grant date	Vesting conditions	Granted	Exercise price $
01/11/2019	50% at 30 October 2020, remainder to vest equally over 8 calendar quarters on the last day of each quarter commencing 31 December 2020	133,300	$0.300

Grant date	Vesting conditions	Granted	Exercise price $
07/09/2018	31.25% at 30 September 2018, remainder to vest equally over 11 calendar quarters on the last day of each quarter commencing 31 December 2018	32,392,800	$0.028
19/10/2018	31.25% at 30 December 2018, remainder to vest equally over 11 calendar quarters on the last day of each quarter commencing 31 March 2019	7,678,500	$0.028
		40,071,300	

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

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
01/11/2019	31/10/2029	$0.3000	$0.3000	95%	0.00%	1.016%	$0.262

Share-based payment expense recognised in profit or loss

	Consolidated Year ended 31 Mar 2020	9 months ended 31 Mar 2019
Options granted	83,443	259,404
Employee loan share plan shares granted	373,154	804,645
Total recognised as employee benefits expense	456,597	1,064,049

Note 32. Share-based payments (continued)

Warrants

During the year ended 31 March 2020, 7,392,230 (post-consolidation) warrants to purchase 1 ordinary share in the Company were granted (period ended 31 March 2019: 2,931,034 ordinary shares after adjusting for the share consolidation of 20 shares to 1 share).

Grant date	Expiry date	Granted	Exercise price $
12/08/2019	10/12/2019	1,250,000	$0.300
12/08/2019	08/02/2020	1,250,000	$0.300
12/08/2019	11/02/2021	3,632,232	$0.300
12/08/2019	11/02/2021	1,260,000	$0.560
		7,392,230	

During the year ended 31 March 2020, the Company cancelled the Cisco warrants totalling $4,607,250 following the termination of a Software License Agreement effective 16 March 2015.

Grant date	Expiry date	Granted	Exercise price $
25/02/2019	24/08/2020	2,931,037	$0.560

Note 33. Events after the reporting period

The following events have arisen since 31 March 2020 which may affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Asset recovery
As shareholders may be aware the Company was subject to a backdoor listing of its data security business in 2014. At that time, the Company traded as Prime Minerals Limited and held various mining tenements directly and through its subsidiaries.

A review of ASX records, annual reports and agreements created at or around that time (copies of which we have now recently obtained) have revealed that in 2008 the Company sold its interests in certain mining exploration tenements in an area known as the Barrambie project in Western Australia. The sale to Neometals Limited (then called Reed Resources Limited) included an entitlement to a Net Smelter Royalty (NSR) of 2% over output from a defined tenement area. The Company is presently seeking advice with respect to the NSR. At this time, the Company has not formed a view on the potential value of the NSR, if any.

Capital raising
The Company released its Share Placement Plan ('SPP') Prospectus on 27 April 2020 to raise up to $500,000. Shareholders each will be entitled to subscribe for up to $30,000 of shares at a price of 1.3c per share.

Shareholders will note that the ASX has waived SPP requirements for the number of shares issued to be limited to 30% of the issued capital and the issue price to be at least 80% of the VWAP. The SPP issue price is a matter for reasonable determination by the Board. These temporary measures will expire on 31 July 2020 unless ASX decides to remove or extend them.

The decision of the Board on the terms of the SPP has been made after assessing the alternatives in the context of the Coronavirus Economic Response Package Omnibus Act 2020, the concessions made by the ASX on capital raisings during the Covid-19 crisis and also reviewing comparable market discounts.

Note 33. Events after the reporting period (continued)

Investment and Co-Venture discussions
The Company has been meeting with potential equity investors in Europe given the focus of the business in that market. All discussions have been conducted under suitable Non-Disclosure Agreements and are preliminary and non-binding in nature. One structure that has been discussed is creating a joint venture entity into which the business of the Company will be transferred with new European investors injecting capital into that vehicle. The Company has taken preliminary advice that, subject to the final terms of any arrangement, this would not be a disposal of its main undertaking as its main undertaking before the transfer will be the same as after any such transfer (i.e. software services). Any such arrangement may require consultation with ASX and potentially shareholder approval. The potential investor is presently conducting due diligence on the business and has spoken with the Company’s largest customer. There is no guarantee that these discussions will result in any venture or investment.

COVID-19
Subsequent to the reporting date, the existence of the infectious disease COVID-19 ('Coronavirus') has become widely known, and begun to rapidly spread throughout the world, including Australia. The Company considers this to be a non-adjusting event after the reporting date. Since the reporting date this has caused increasing disruption to populations, and to business and economic activity. As this situation is rapidly developing, it is not yet practicable to estimate the potential impact this may have on the Group.

No other matter or circumstance has arisen since 31 March 2020 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;

- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 March 2020 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the directors

Ted Pretty
Chairman

26 May 2020
Sydney

Nexia Australia

Independent Auditor's Report to the Members of Cipherpoint Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Cipherpoint Limited (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 31 March 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

i) giving a true and fair view of the Group's financial position as at 31 March 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 Group 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 the Going Concern disclosure in Note 2 in the financial report, which indicates that the Group incurred a net loss of $673,045 and net cash outflows from operating activities of $3,703,746 during the year ended 31 March 2020. As stated in Note 2, these events or conditions, along with other matters as set forth in the note, 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.

Nexia Sydney Audit Pty Ltd
Level 16, 1 Market Street
Sydney NSW 2000
PO Box H195
Australia Square NSW 1215
p +61 2 9251 4600
f +61 2 9251 7138
e info@nexiasydney.com.au
w nexia.com.au

Key audit matter	How our audit addressed the key audit matter
Impairment of intangible assets Refer to Note 12 Intangible assets include intellectual property in respect of perpetual licences to the Dataglobal IP and SafeShare. The carrying value of these assets before impairment was $1,012,828. After adjustments for impairment, their carrying value was reduced to nil. Impairment assessment of these intangibles is considered to be a key audit matter due to the quantum of the asset; the degree of management judgement and assumptions applied in measuring the carrying value of the asset; and assessing the presence of impairment of an intangible asset.	Our audit procedures in the impairment assessment included, amongst others: ▪ We checked management's assessment of indicators of impairment to ensure it is performed in accordance with AASB 136: Impairment of Assets; ▪ We tested management's assumptions and estimates used to determine the recoverable value of its intangible assets, including those relating to forecast revenue, expenditure and discount rates by testing the key market related assumptions to external data and by reference to our understanding of the business; ▪ We challenged the assumption and estimates used by management and also compared the market value of the Group based on the quoted share price to its net asset value to assess whether the carrying value of the intangible assets exceeded their recoverable amount.

Other information

The directors are responsible for the other information. The other information comprises the information in Cipherpoint Limited's annual report for the year ended 31 March 2020, but does not include the financial report and the auditor's report thereon.

Our opinion on the 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 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 financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the 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 Group 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: www.auasb.gov.au/auditors_files/ar2.pdf. This description forms part of our auditor’s report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 17 of the directors’ Report for the year ended 31 March 2020.

In our opinion, the Remuneration Report of Cipherpoint Limited for the year ended 31 March 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

Nexia Sydney Audit Pty Ltd

Lester Wills
Director

Dated: 26 May 2020
Sydney

The shareholder information set out below was applicable as at 30 April 2020.

Distribution of equitable securities

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

	Number of holders of ordinary shares	Number of holders of options and scheme shares over ordinary shares
1 to 1,000	1,218	179
1,001 to 5,000	701	32
5,001 to 10,000	225	24
10,001 to 100,000	370	40
100,001 and over	57	23
	2,571	298
Holding less than a marketable parcel	2,410	264

Equity security holders

Twenty largest security holders
The names of the twenty largest security holders are listed below:

	Ordinary shares	
Name	**Number held**	**% of total shares issued**
TPG TELECOM LIMITED	3,802,175	11.10
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,706,808	10.82
ILWELLA PTY LTD	1,189,717	3.47
RAVEN CAPITAL NOMINEES PTY LTD (RAVEN TECHNOLOGY FUND 1 A/C)	1,174,727	3.43
GAFFWICK PTY LTD (THE DUNCAN FAMILY A/C)	1,083,334	3.16
EXCALIBUR PARTNERS XVI LP	719,057	2.10
MR PETER HOWELLS	587,354	1.72
RAVEN VENTURES (AUSTRALIA) PTY LTD (THE GATEWAY VENTURE FUND A/C)	540,496	1.58
HUMAN TECHNOLOGY PTY LIMITED (GRAHAM MIRABITO FAMILY A/C)	437,563	1.28
MR GERARD O'BRIEN & MRS HELEN O'BRIEN (O'BRIEN SUPER A/C)	408,874	1.19
MS CHERYL I-WEN LEE (CHI WEN A/C)	357,143	1.04
VAGANA PTY LTD (PRETTY SUPER FUND A/C)	354,343	1.03
JACK BURSTON (THE BURSTON FAMILY A/C)	349,071	1.02
ESS SEE PTY LTD (ESS SEE SUPERFUND A/C)	322,921	0.94
EUROPLAY CAPITAL ADVISORS LLC	311,723	0.91
DRP CARTONS (NSW) PTY LIMITED (DRP CARTONS NSW P/L S/F A/C)	300,421	0.88
COVELANE PTY LTD	293,034	0.86
J & J STUART PTY LTD (STUART FAMILY SUPER A/C)	291,667	0.85
MR ROBERT DAVID NAPIER NICHOLLS	280,000	0.82
BNP PARIBAS NOMINEES PTY LTD (IB AU NOMS RETAILCLIENT DRP)	274,775	0.80
	16,785,203	49.00

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	2,315,963	277
Employee share loan plan shares over ordinary shares issued	4,610,612	51

Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares	
Name	Number held	% of total shares issued
TPG TELECOM LIMITED	3,802,175	11.10
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,706,808	10.82

Voting rights

Ordinary shares

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

There are no other classes of equity securities.

Warrants

Details	Expiry date	Number of warrants
Warrants issued at $0.56	22 August 2020	2,931,037
Warrants issued at $0.30	8 February 2021	3,632,232
Warrants issued at $0.56	8 February 2021	1,260,000
		7,823,269

Securities subject to voluntary escrow

12,977,400 shares were released from escrow during the year ended 31 March 2020. These represent 648,870 fully paid ordinary shares on a post-consolidated basis.