

1. Company details

Name of entity:	Cipherpoint Limited
ABN:	61 120 658 497
Reporting period:	For the year ended 31 March 2022
Previous period:	For the year ended 31 March 2021

2. Results for announcement to the market

			\$
Revenues from continuing operations	up	100.0% to	4,238,261
Loss from ordinary activities after tax attributable to the owners of Cipherpoint Limited	up	178.1% to	(8,194,477)
Net loss for the year attributable to the owners of Cipherpoint Limited	up	178.1% to	(8,194,477)
			2022 Cents
			2021 Cents
Basic earnings per share			(2.70)
Diluted earnings per share			(2.82)

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 \$8,194,477 (31 March 2021: \$2,946,327).

Refer to Market announcement, which precedes the Appendix 4E, for further commentary on the results for the year ended 31 March 2022.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>0.17</u>	<u>1.94</u>

Net tangible assets per ordinary security has been calculated by excluding the net right-of-use assets and leases liabilities of (\$5,968).

4. Control gained over entities

Brace168 Pty Ltd was 100% acquired by Cipherpoint limited as at 1 April 2021. Brace168 contributes approximately \$0.9m of the loss from continuing operations for the 12 months.

Virtual Information Technology Pty Ltd was 100% acquired by Cipherpoint limited as at 1 November 2021. Virtual Information Technology contributes approximately \$0.12m of the loss from continuing operations for the 5 months of ownership in the reporting period.

5. Loss of control over entities

No entities were sold during the reporting period. As previously disclosed to the market, Cipherpoint sold a collection of software assets to archTIS.

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):

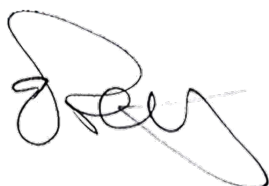
The financial statements are in the process of being audited and an unqualified opinion is expected to be issued. The auditor's report will contain a paragraph addressing material uncertainty related to going concern.

8. Attachments

Details of attachments (if any):

The Preliminary Financial Report of Cipherpoint Limited for the year ended 31 March 2022 is attached.

9. Signed



Signed _____

Ted Pretty
Chairman
Sydney

Date: 10 June 2022

Cipherpoint Limited

ABN 61 120 658 497

Preliminary Financial Report - 31 March 2022

For personal use only

Consolidated statement of profit or loss and other comprehensive income	2
Consolidated statement of financial position	4
Consolidated statement of changes in equity	5
Consolidated statement of cash flows	6
Notes to the consolidated financial statements	7

For personal use only

	Note	Consolidated 2022 \$	Consolidated 2021 \$
Revenue from continuing operations			
Revenue - technology related products and services	2	4,238,261	-
Other income - including COVID-19 stimulus grants	2	100,000	49,911
Fair value gain on financial liability		40,633	-
		<u>4,378,894</u>	<u>49,911</u>
Expenses			
Software and hardware for resale		(663,716)	-
Employee benefit expense	3	(5,405,486)	(1,354,203)
Consultancy fees expense		(4,382)	(98,000)
Depreciation and amortisation expense	3	(150,646)	(11,288)
Impairment of goodwill	3	(5,816,823)	-
Impairment of receivables		(30,000)	(32,039)
Legal and professional fees expense		(974,042)	(270,774)
Marketing and promotion expense		(167,626)	(240,180)
Travel and accommodation expense		(98,345)	(11,764)
Office and administration expense		(411,181)	(138,977)
Other expenses		(569,414)	(243,193)
Total expenses		<u>(14,291,661)</u>	<u>(2,400,418)</u>
		(9,912,767)	(2,350,507)
Results from operating activities			
Finance income calculated using the effective interest method		1,948	594
Finance costs	3	(29,473)	(7,268)
		(9,940,292)	(2,357,181)
Loss before income tax expense from continuing operations			
Income tax expense		(10,496)	-
		(9,950,788)	(2,357,181)
Loss after income tax expense from continuing operations			
Profit/(loss) after income tax expense from discontinued operations		1,756,311	(589,146)
Loss after income tax expense for the year attributable to the owners of Cipherpoint Limited			
		(8,194,477)	(2,946,327)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		169,322	(18,640)
		169,322	(18,640)
Total comprehensive income for the year attributable to the owners of Cipherpoint Limited			
		<u>(8,025,155)</u>	<u>(2,964,967)</u>
Total comprehensive income for the year is attributable to:			
Continuing operations		(9,781,466)	(2,375,821)
Discontinued operations		1,756,311	(589,146)
		<u>(8,025,155)</u>	<u>(2,964,967)</u>

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

		Cents	Cents
Earnings per share for loss from continuing operations attributable to the owners of Cipherpoint Limited			
Basic earnings per share	7	(3.28)	(2.25)
Diluted earnings per share	7	(3.28)	(2.25)
Earnings per share for profit/(loss) from discontinued operations attributable to the owners of Cipherpoint Limited			
Basic earnings per share	7	0.58	(0.56)
Diluted earnings per share	7	0.58	(0.56)
Earnings per share for loss attributable to the owners of Cipherpoint Limited			
Basic earnings per share	7	(2.70)	(2.82)
Diluted earnings per share	7	(2.70)	(2.82)

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

	Note	Consolidated 2022 \$	2021 \$
Assets			
Current assets			
Cash and cash equivalents		1,903,532	3,971,549
Trade and other receivables	4	515,730	163,919
Income tax refund due		40,508	-
Prepayments		191,247	40,336
Other assets		55,618	-
Total current assets		<u>2,706,635</u>	<u>4,175,804</u>
Non-current assets			
Property, plant and equipment		326,301	14,213
Right-of-use assets		206,142	-
Other assets		98,707	79,601
Total non-current assets		<u>631,150</u>	<u>93,814</u>
Total assets		<u>3,337,785</u>	<u>4,269,618</u>
Liabilities			
Current liabilities			
Trade and other payables	5	1,665,255	231,697
Contract liabilities		66,158	186,537
Borrowings		34,489	-
Lease liabilities		10,986	-
Employee benefits		159,581	40,222
Deferred consideration		456,296	-
		<u>2,392,765</u>	<u>458,456</u>
Liabilities directly associated with assets classified as held for sale		27,813	-
Total current liabilities		<u>2,420,578</u>	<u>458,456</u>
Non-current liabilities			
Contract liabilities		7,454	67,438
Lease liabilities		189,188	-
Deferred tax		73,541	-
Employee benefits		39,353	-
Total non-current liabilities		<u>309,536</u>	<u>67,438</u>
Total liabilities		<u>2,730,114</u>	<u>525,894</u>
Net assets		<u>607,671</u>	<u>3,743,724</u>
Equity			
Issued capital	6	103,122,027	98,468,154
Reserves		3,948,898	3,557,850
Accumulated losses		(106,463,254)	(98,282,280)
Total equity		<u>607,671</u>	<u>3,743,724</u>

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

Consolidated	Share capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 April 2020	93,120,766	3,311,334	(95,930,926)	501,174
Loss after income tax expense for the year	-	-	(2,946,327)	(2,946,327)
Other comprehensive income for the year, net of tax	-	(18,640)	-	(18,640)
Total comprehensive income for the year	-	(18,640)	(2,946,327)	(2,964,967)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 6)	5,347,388	-	-	5,347,388
Share based payments – share options	-	307,119	-	307,119
Share based payments – employee loan shares	-	204,368	-	204,368
Share options - performance rights	-	348,642	-	348,642
Share based payments – share options lapsed	-	(87,228)	87,228	-
Cancellation of warrants	-	(507,745)	507,745	-
Balance at 31 March 2021	<u>98,468,154</u>	<u>3,557,850</u>	<u>(98,282,280)</u>	<u>3,743,724</u>
	Share capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Consolidated				
Balance at 1 April 2021	98,468,154	3,557,850	(98,282,280)	3,743,724
Loss after income tax expense for the year	-	-	(8,194,477)	(8,194,477)
Other comprehensive income for the year, net of tax	-	169,322	-	169,322
Total comprehensive income for the year	-	169,322	(8,194,477)	(8,025,155)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 6)	4,537,376	-	-	4,537,376
Share based payments – share options	-	(100,671)	-	(100,671)
Share based payments – employee loan shares	-	265,609	-	265,609
Share options - performance rights	-	411,525	-	411,525
Share based payments - performance rights conversion	116,497	(130,000)	13,503	-
Share options lapsed	-	(177,558)	-	(177,558)
Employee loan shares lapsed	-	(47,179)	-	(47,179)
Balance at 31 March 2022	<u>103,122,027</u>	<u>3,948,898</u>	<u>(106,463,254)</u>	<u>607,671</u>

	Note	Consolidated 2022 \$	Consolidated 2021 \$
Cash flows from operating activities			
Loss before income tax expense for the year		(8,183,981)	(2,946,327)
Adjustments for:			
Depreciation and amortisation	3	150,646	11,288
Impairment of goodwill	3	5,816,823	-
Share-based payments	3	491,875	751,519
Foreign exchange differences		99,078	26,416
Gain on disposal of business		(1,693,811)	-
		(3,319,370)	(2,157,104)
Change in operating assets and liabilities:			
Increase in trade and other receivables		(157,119)	(80,210)
(Increase)/decrease in prepayments		10,680	868
Decrease in other operating assets		162,082	-
Decrease in trade and other payables		(198,122)	(274,028)
Increase/(decrease) in contract liabilities		(190,127)	36,453
Increase in employee benefits		140,434	9,086
		(3,551,542)	(2,464,935)
Net finance costs		17,525	6,674
Net cash used in operating activities		(3,534,017)	(2,458,261)
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired		(2,677,000)	-
Payments for property, plant and equipment		(269,000)	(3,000)
Payments for security deposits		(65,000)	-
Proceeds from disposal of business		1,320,000	-
Proceeds from other assets		168,000	-
Net cash used in investing activities		(1,523,000)	(3,000)
Cash flows from financing activities			
Proceeds from issue of shares	6	2,435,206	5,758,815
Payment of share issue costs		(265,206)	(213,001)
Proceeds from borrowings		913,000	-
Repayment of lease liabilities		(90,000)	-
Net cash from financing activities		2,993,000	5,545,814
Net increase/(decrease) in cash and cash equivalents		(2,064,017)	3,084,553
Cash and cash equivalents at the beginning of the financial year		3,971,549	920,935
Effects of exchange rate changes on cash and cash equivalents		(4,000)	(33,939)
Cash and cash equivalents at the end of the financial year		<u>1,903,532</u>	<u>3,971,549</u>

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.

This preliminary financial report is not a full set of financial statements however the accounting policies remains unchanged from the 31 March 2021 Annual Report.

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

Suite 2.01, 157 Walker Street
North Sydney, NSW 2060

Note 2. Revenue

	Consolidated	
	2022	2021
	\$	\$
Revenue from contracts with customers from continuing operations:		
Revenue - technology related products and services	4,238,261	-

Disaggregation of revenue

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

	Consolidated	
	2022	2021
	\$	\$
Major product lines		
Maintenance and Support	26,100	-
Hardware and software resale	392,193	-
Services	3,819,968	-
	<u>4,238,261</u>	<u>-</u>
Geographical regions		
Australasia	4,212,161	-
Germany	26,100	-
	<u>4,238,261</u>	<u>-</u>
Timing of revenue recognition		
Goods transferred at a point in time	292,193	-
Services transferred over time	3,946,068	-
	<u>4,238,261</u>	<u>-</u>

Other income

During the year the Company received payments from the Australian Government amounting to \$100,000 (2021: \$49,911) under the 'JobKeeper' scheme in response to the Covid-19 pandemic.

Note 3. Expenses

	Consolidated	
	2022	2021
	\$	\$
Loss before income tax from continuing operations includes the following specific expenses:		
<i>Depreciation</i>		
Plant and equipment	47,150	11,288
Office right-of-use assets	103,496	-
Total depreciation	<u>150,646</u>	<u>11,288</u>
<i>Impairment of assets</i>		
Goodwill	5,816,823	-
<i>Employee benefit expense</i>		
Wages and salaries	3,574,757	920,940
Non-executive director fees	258,736	185,000
Termination benefits	16,244	31,241
Recruitment and sourcing	262,985	4,751
Other employee related expenses	218,909	80,160
Payroll taxes	37,084	26,437
Defined contribution superannuation expense	307,040	69,037
Bonus - cash component (reversed)	237,856	(43,562)
Equity settled share-based payments	491,875	751,519
Commissions	-	22,133
Total employee benefits	<u>5,405,486</u>	<u>2,047,656</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	6,195	7,268
Interest and finance charges paid/payable on lease liabilities	23,278	-
Finance costs expended	<u>29,473</u>	<u>7,268</u>

Note 4. Trade and other receivables

	Consolidated	
	2022	2021
	\$	\$
<i>Current assets</i>		
Trade receivables	408,465	148,057
Less: Allowance for expected credit losses	-	(34,548)
	<u>408,465</u>	<u>113,509</u>
Other receivables	107,265	-
GST/ VAT receivables	-	50,410
	<u>515,730</u>	<u>163,919</u>

Allowance for expected credit losses

The Group has recognised an impairment of \$30,000 (2021: \$32,039) in profit or loss in respect of the expected credit losses for the year ended 31 March 2022.

Note 5. Trade and other payables

	Consolidated	
	2022	2021
	\$	\$
<i>Current liabilities</i>		
Trade payables	410,859	132,059
Other payables and accrued expenses	1,254,396	99,638
	<u>1,665,255</u>	<u>231,697</u>

Note 6. Issued capital

	Consolidated			
	2022	2021	2022	2021
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>354,776,234</u>	<u>193,268,606</u>	<u>103,122,027</u>	<u>98,468,154</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 April 2020	34,244,326		93,120,766
Share purchase plan (b)	6 July 2020	38,461,651	\$0.013	500,000
Issue of rights (c)	8 July 2020	19,000,000	\$0.023	437,000
Issue of rights (d)	29 September 2020	30,391,797	\$0.048	1,458,806
Issue of rights (e)	2 October 2020	17,979,344	\$0.048	863,009
Issue of rights (f)	1 February 2021	21,276,597	\$0.047	1,000,000
Issue of rights (g)	26 March 2021	25,210,906	\$0.047	1,184,913
Issue of rights (h)	30 March 2021	6,703,985	\$0.047	315,087
Less: share issue costs				(411,427)
Balance	31 March 2021	193,268,606		98,468,154
Issue of shares on acquisition of Brace168 Pty Ltd (a)	1 April 2021	21,750,000	\$0.047	1,022,250
Issue of shares (b)	6 August 2021	26,300,001	\$0.027	710,100
Issue of shares (c)	10 August 2021	26,296,296	\$0.027	710,000
Conversion of convertible notes with Peak (d)	30 September 2021	28,148,150	\$0.027	755,000
Conversion of convertible notes with Variathus (e)	30 September 2021	28,148,150	\$0.027	755,000
Brace168 Acquisition contingent consideration-transfer from performance rights (f)	30 September 2021	4,480,500	\$0.000	116,497
Brace168 Acquisition contingent consideration-earn out (g)	30 September 2021	6,362,310	\$0.047	197,232
Issue of shares on acquisition of Peak and Variathus in lieu of brokerage (h)	11 October 2021	6,488,888	\$0.027	175,200
Issue of shares on VIT (i)	25 November 2021	10,200,000	\$0.039	397,800
Issue of shares on Ben Cowan (VCF Capital) (j)	24 March 2022	3,333,333	\$0.024	80,000
Less: share issue costs		-	\$0.000	(265,206)
Balance	31 March 2022	<u>354,776,234</u>		<u>103,122,027</u>

Note 6. Issued capital (continued)

During the period ended 31 March 2021, the Group completed the following transactions in respect of the issue of ordinary shares with the exception of transaction (a) which took place in the prior year:

- (a) The Group consolidated its shareholding by 20 shares to 1 share.
- (b) The Group issued 38,461,651 ordinary shares in the Company totalling \$500,000 as part of the Share Purchase Plan ('SPP').
- (c) The Group issued 19,000,000 ordinary shares in the Company totalling \$437,000 to participants in a placement.
- (d) The Group issued 30,391,797 ordinary shares in the Company totalling \$1,458,806 (11,313,039 ordinary shares to participants in a placement and 19,078,758 ordinary shares as part of the non-renounceable rights issue).
- (e) The Group issued 17,979,344 ordinary shares in the Company totalling \$863,009 to participants in a placement.
- (f) The Group issued 21,276,597 ordinary shares in the Company totalling \$1,000,000 to participants in a placement.
- (g) The Group issued 25,210,906 ordinary shares in the Company totalling \$1,184,913 as part of the non-renounceable rights issue.
- (h) The Group issued 6,703,985 ordinary shares in the Company totalling \$315,087 to participants in a placement.

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

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

Ordinary shares

Ordinary shares entitle the holder to participate in any dividends declared and any proceeds attributable to shareholders should the Company be wound up in proportions that consider both the number of shares held and the extent to which those shares are paid up. 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 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 6. 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. At the date of this report, the Group has not entered into discussions to invest in further businesses, but will continue to evaluate opportunities as they arise.

The capital risk management policy remains unchanged from the 31 March 2021 Annual Report.

Note 7. Earnings per share

	Consolidated	
	2022	2021
	\$	\$
<i>Earnings per share for loss from continuing operations</i>		
Loss after income tax attributable to the owners of Cipherpoint Limited	<u>(9,950,788)</u>	<u>(2,357,181)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>303,699,063</u>	<u>104,615,638</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>303,699,063</u>	<u>104,615,638</u>
	Cents	Cents
Basic earnings per share	(3.28)	(2.25)
Diluted earnings per share	(3.28)	(2.25)
 <i>Earnings per share for profit/(loss) from discontinued operations</i>		
Profit/(loss) after income tax attributable to the owners of Cipherpoint Limited	<u>1,756,311</u>	<u>(589,146)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>303,699,063</u>	<u>104,615,638</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>303,699,063</u>	<u>104,615,638</u>
	Cents	Cents
Basic earnings per share	0.58	(0.56)
Diluted earnings per share	0.58	(0.56)
 <i>Earnings per share for loss</i>		
Loss after income tax attributable to the owners of Cipherpoint Limited	<u>(8,194,477)</u>	<u>(2,946,327)</u>

Note 7. Earnings per share (continued)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>303,699,063</u>	<u>104,615,638</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>303,699,063</u>	<u>104,615,638</u>
	Cents	Cents
Basic earnings per share	(2.70)	(2.82)
Diluted earnings per share	(2.70)	(2.82)

The 132,525,531 (2021: 35,879,114) options, employees loan shares and performance rights could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they are antidilutive for the periods presented.