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Cirrus Networks

APPENDIX 4E

30 June 2020

Cirrus Networks Holdings Limited (CNW)

ABN: 98 103 348 947

CIRRUS

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1. Results for announcement to the market

	UP/(DOWN) (%)	TO (\$)
Revenues from ordinary activities	8%	95,136,463
Profit / (Loss) from ordinary activities after tax attributable to the owners of Cirrus Networks Holdings Limited	269%	2,862,414

The net profit for the Group after providing for income tax amounted to \$2,862,414 (30 June 2019 Profit: \$776,279).

REVIEW OF OPERATIONS

Another excellent year for the Company in FY20 with revenues from ordinary activities up 8% to \$95,136,463 and the preferred earnings measure of EBTIDA (pre options) up 88% to \$3,602,805. The statutory result for the Group after providing for income tax amounted to a net profit of \$2,862,414 (30 June 2019: \$776,279).

	FY2020	FY2019	FY2018
NORMALISED EBITDA	\$3,797,016	\$2,187,485	\$1,033,825
Adjustments:			
Foreign Exchange Impact	(\$120,889)	(\$2,058)	(\$10,872)
Redundancy Cost	(\$73,322)	(\$267,510)	(\$165,345)
Investment in Canberra	-	-	(\$272,003)
Acquisition Costs for due diligence	-	-	(\$97,943)
Voluntary Escrow Payment	-	-	(\$50,000)
EBITDA (PRE-OPTIONS)	\$3,602,805	\$1,917,917	\$437,662
Amortisation and Depreciation	(\$740,659)	(\$663,196)	(\$466,215)
Amortisation – Right-of-use assets	(\$757,375)	-	-
Interest (Net)	(\$584,833)	(\$175,404)	\$19,209
Share based options expensed	(\$398,026)	(\$303,038)	(\$226,046)
R&D Tax Offset	-	-	\$356,759
NET PROFIT BEFORE DTA RECOGNITION	\$1,121,912	\$776,279	\$121,369
Deferred tax asset recognition	1,740,502	-	\$2,709,922
STATUTORY NET PROFIT	\$2,862,414	\$776,279	\$2,831,291

At 30 June 2020, the Group had a cash balance of \$6.16m. Cirrus has a positive \$5.57m net cash position before leases (2019: positive \$3.6).

2. Net tangible assets per ordinary share

	REPORTING PERIOD	PREVIOUS PERIOD
Net tangible assets per ordinary security*	\$0.036	\$0.035

* Cirrus has included the Right-of-Use assets in the NTA calculation.

3. Details of entities over which control has been gained during the year

Gain of control of entities during the year – Nil.

4. Details of entities over which control has been lost during the year

Loss of control of entities during the year – Nil.

5. Dividends

Current Period

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

6. Details of associates and joint venture entities

Equity accounted Associates and Joint Venture Entities – Nil.

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.

8. Attachments

Details of attachments (if any):

The Annual Report of Cirrus Networks Holdings Limited for the year ended 30 June 2020 is attached.

9. Signed

Date: 18 August 2020	
Matt Sullivan Managing Director	Signature: 

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Cirrus Networks

ANNUAL REPORT

30 JUNE 2020

Cirrus Networks Holdings Limited (CNW)

ABN: 98 103 348 947

CIRRUS

Corporate Directory

CURRENT DIRECTORS

Mr Andrew Milner *(Non-Executive Chairman)*
Mr Daniel Rohr *(Non-Executive Director)*
Mr Paul Everingham *(Non-Executive Director)*
Mr Matthew Sullivan *(Managing Director)*

COMPANY SECRETARY

Ms Catherine Anderson
Telephone: + 61 8 6180 4222

SHARE REGISTRY*

Automic Group
Level 5, 126 Phillip Street
Sydney NSW 2000
Telephone: +61 8 1300 288 664

AUDITOR

BDO Audit (WA) Pty Limited
38 Station Street
Subiaco WA 6008
Telephone: +61 8 6382 4600

ASX Code: CNW

REGISTERED OFFICE

Level 28, 108 St Georges Tce
Perth WA 6000
Telephone: +61 8 6180 4222

Email: info@cirrusnetworks.com.au
Website: www.cirrusnetworks.com.au

**This entity is included for information purposes only. This entity has not been involved in the preparation of this Annual Report.*

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Letter from the Chairman

Dear Shareholder

Welcome to the Cirrus Networks Limited 2020 Annual Report. I am pleased to report your Company delivered a full year EBITDA of \$3.6m (pre options expense), extending a history of consistent earnings growth (FY18 - \$437k, FY19 - \$1.9m). This represents a 47% uplift from FY19 at the EBITDA line after adjusting for the introduction of the AASB 16 standard. Net cash before leases improved from \$3.6m at the end of FY19 to \$5.6m, and with the expectation of continued improvement in trading performance, the remainder of the Company's deferred tax asset of \$1.7m has been brought to account.

Professional Services revenue, while flat in H1 at \$7.8m experienced significant growth in H2 of 22% to \$9.5m - bringing the total for FY20 to \$17.3m, an increase of 12% from the previous year. Managed Services revenue grew half on half by 17% to \$6.3m, finishing the year with a 20% increase on FY19 at \$11.8m and improving gross margins. Product revenue in H2 contracted to \$31.5m from \$34.5m in H1, mainly as a result of supply chain delays and customer impacts caused by COVID-19.

This year marks the end of the Cirrus Networks 5 year (FY16 – FY20) strategic plan. During this period the Company, which now employs around 200 staff in WA, Victoria and the ACT, achieved several significant milestones along its transformative journey to become Australia's IT Services provider of choice:

- Consolidated revenue increased from \$19m to \$95m;
- Professional and Managed Services combined revenue increased from \$8m to \$29m, and now represents 50% of all income at the gross margin line, up from 15%. This rapid growth lifted overall gross margins from 13.1% to 17.8%;
- Successful entry into the strategically crucial Federal Government sector, with these customers now contributing 30% of total revenue.

With over 70% of consolidated revenue currently derived from customers in the Resource, Not For Profit and Federal Government sectors, the Company has been fairly well insulated from the effects of COVID-19 to date. The completion of a comprehensive review of costs and organizational structure in Q4 against the backdrop of the pandemic, along with a significant order backlog and positive sales indicators give the Company confidence it is well positioned to deliver continued EBITDA growth in FY21. The trading environment remains volatile however, and the Company is ready to respond to any further pandemic-related impacts.

On behalf of the Board I'd like to thank all stakeholders for their ongoing dedication, resilience and support during this most uncertain and challenging time.

Andrew Milner

Chairman

Directors' Report – 30 June 2020

The Directors of Cirrus Networks Holdings Limited present their report on the Consolidated Entity consisting of Cirrus Networks Holdings Limited ("*Company*" or "*Cirrus*") and the entities it controlled ("*Group*") at the end of, or during, the year ended 30 June 2020.

DIRECTORS – TERMS OF OFFICE, SKILLS AND EXPERIENCE

The following persons were Directors of Cirrus Networks Holdings Limited during the entire financial year and up to the date of this report, unless otherwise stated:

- **Andrew Milner** – Non-Executive Chairman
- **Daniel Rohr** – Non-Executive Director
- **Paul Everingham** – Non-Executive Director
- **Matthew Sullivan** – Managing Director

ANDREW MILNER (Non-Executive Chairman)

Appointed 2 July 2015

Andrew Milner is a veteran of the Australian Information Communications Technology industry and has more than 20 years experience in managing successful high-growth technology businesses.

Founding Wantree Internet (Wantree) in 1995 (which became one of Australia's first commercial Internet Service Providers), he was appointed to the iiNet board when Wantree was vended into the iiNet Limited IPO in 1999. Mr Milner spent 9 years with that company in a variety of executive and non-executive Director roles. iiNet grew to a \$1.4 billion market capitalization with over 2,000 staff and \$1 billion in annual revenue, prior to being acquired by TPG Telecom Limited in 2015.

From 2004, Mr Milner was co-founder and non-executive Chairman of L7 Solutions, one of WA's fastest growing systems integrators, with a turnover of \$55m at the time of its acquisition by Amcom Telecommunications in 2011.

During the previous 3 years, Mr Milner has not held any other directorships in listed entities.

DANIEL ROHR (Non-Executive Director)

Appointed 2 July 2015

Daniel Rohr is a Chartered Accountant with a Bachelor of Commerce degree and has over 25 years management, corporate advisory, finance and accounting experience across a range of listed and unlisted companies in Australia and overseas.

He is currently the CFO of HealthEngine Pty Limited and has acted as a corporate advisor for a number of listed and non-listed businesses in the IT and mining sectors. Mr Rohr has extensive experience in managing the development of high growth companies in the digital, mining, real estate and financial services industries.

During the previous 3 years, Mr Rohr has held the role of non-executive director of Velpic Limited.

MATTHEW SULLIVAN (Managing Director)

Appointed 2 July 2015

Matthew Sullivan has more than 20 years' experience in the Information Technology ("IT") industry and has held various executive roles within strong performing and high growth IT organisations in Australia and was CEO and co-founder (with Mr Milner) of L7 Solutions in 2004 until its 2011 acquisition by Amcom.

During this time the company was awarded numerous industry accolades including:

- 5th fastest growing WA company in 2007 (WA Business News)
- 18th fastest growing Australian company in 2008 (BRW Fast 100)
- 2005 Cisco A/NZ Partner of the Year; and
- 2010 EMC WA partner of the Year.

Mr Sullivan was also a 2005 and 2008 winner of the WA Business News "40 under 40" and Western Region finalist in the 2010 Ernst & Young Entrepreneur of the Year.

Most recently Mr Sullivan has been Chief Solutions Officer of Amcom and Chief Operations Officer at Comscentre. During the previous 3 years, Mr Sullivan has not held any other directorships in listed entities.

PAUL EVERINGHAM (Non-Executive Director)

Appointed 23 July 2018

Mr Everingham is Chief Executive Officer of the Chamber of Minerals & Energy of Western Australia.

Prior to joining the Chamber of Minerals & Energy, Paul held numerous senior executive roles in business and government including; Chief Executive of Marketforce Australia, a leading Australian advertising agency; Founder and Managing Director of GRA Everingham Advisory, Western Australia's premier government relations advisory business; Executive Director of the Liberal Party of Australia (WA); and as a Senior Adviser in the Commonwealth Treasury.

Paul has a Bachelor of Commerce from the University of Queensland; a Post Graduate Diploma in Applied Finance & Investment from the University of NSW; and a Graduate Certificate in Financial Mathematics from Queensland University of Technology.

During the previous 3 years, Mr Everingham has not held any other directorships in listed entities.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS OF THE COMPANY

The following relevant interests in shares and options of the Company are held by the Directors who hold office as at the date of this report, with the holdings being as at the date of this report:

DIRECTOR	SHARES	OPTIONS
Andrew Milner	44,323,387	2,500,000
Daniel Rohr	7,678,863	2,500,000
Paul Everingham	17,880,000	2,500,000
Matthew Sullivan	48,273,387	20,000,000

COMPANY SECRETARY - CATHERINE ANDERSON – B JURIS (HONS) LLB (UWA)

Appointed 8 March 2011

Catherine Anderson is a legal practitioner admitted in Western Australia and Victoria and has over 30 years' experience in both private practice and in-house legal roles from working in Melbourne and Perth, particularly in the area of capital raisings and corporate structures. During her career, Ms Anderson has advised on all aspects of corporate and commercial law and today brings this extensive commercial experience to the Company and oversaw the re-listing of the Company as Cirrus.

Ms Anderson also has experience in company secretarial roles for other ASX listed resource companies, as well as having been a director of an ASX listed junior explorer. She currently also provides consultancy services to entities wishing to proceed to IPO and listing on ASX, and has twice been nominated for the Telstra Business Woman of the Year Award.

MEETINGS OF DIRECTORS

The number of Directors' meetings and number of committee meetings attended by each of the Directors of the Company during the financial year or during the period of appointment were:

DIRECTOR	BOARD OF DIRECTORS		AUDIT COMMITTEE		REMUNERATION COMMITTEE	
	A	B	A	B	A	B
Andrew Milner	14	14	2	2	1	1
Daniel Rohr	14	14	2	2	1	1
Matthew Sullivan	13	14	-	-	-	-
Paul Everingham	12	14	2	2	1	1

A – Number of meetings attended

B – Number of meetings eligible to attend

PRINCIPAL ACTIVITIES

The principal activity of the Group is the provision of information technology services and related third-party product sales. There were no significant changes in the nature of the activities of the Group during the year.

DIVIDENDS

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group other than those disclosed in other areas of this annual financial report.

REVIEW OF OPERATIONS

**Non-IFRS Financial Information*

Adjustments to reflect movement from underlying performance to statutory consolidated result of the Group:

	FY2020	FY2019	FY2018
NORMALISED EBITDA	\$3,797,016	\$2,187,485	\$1,033,825
Adjustments:			
Foreign Exchange Impact	(\$120,889)	(\$2,058)	(\$10,872)
Redundancy Cost	(\$73,322)	(\$267,510)	(\$165,345)
Investment in Canberra	-	-	(\$272,003)
Acquisition Costs for due diligence	-	-	(\$97,943)
Voluntary Escrow Payment	-	-	(\$50,000)
EBITDA (PRE-OPTIONS)	\$3,602,805	\$1,917,917	\$437,662
Amortisation and Depreciation	(\$740,659)	(\$663,196)	(\$466,215)
Amortisation – Right-of-use assets	(\$757,375)	-	-
Interest (<i>Net</i>)	(\$584,833)	(\$175,404)	\$19,209
Share based options expensed	(\$398,026)	(\$303,038)	(\$226,046)
R&D Tax Offset	-	-	\$356,759
NET PROFIT BEFORE DTA RECOGNITION	\$1,121,912	\$776,279	\$121,369
Deferred tax asset recognition	1,740,502	-	\$2,709,922
STATUTORY NET PROFIT	\$2,862,414	\$776,279	\$2,831,291

At 30 June 2020, the Group had a cash balance of \$6.16m. Cirrus has a positive \$5.57m net cash position before leases (2019: positive \$3.6).

OPTIONS ON ISSUE

The Company has the following classes of options on issue as at the date of this report:

CLASS	NUMBER		EXERCISE PRICE	EXPIRY DATE
	2020	2019		
1	3,825,000	5,325,000	\$0.035	30/06/2022
2	3,825,000	5,325,000	\$0.045	30/06/2022
3	-	7,000,000	\$0.080	31/12/2019
4	5,462,500	6,287,500	\$0.035	13/11/2020
5	5,462,500	6,287,500	\$0.045	13/11/2020
6	5,537,500	5,612,500	\$0.035	30/06/2021
7	5,537,500	5,612,500	\$0.045	30/06/2021
8	5,000,000	5,000,000	\$0.045	30/06/2025
9	5,000,000	5,000,000	\$0.060	5 years from vesting date
10	5,000,000	5,000,000	\$0.045	18/04/2023
11	5,000,000	5,000,000	\$0.060	18/10/2024
12	7,500,000	7,500,000	\$0.060	11/10/2023
13	7,500,000	7,500,000	\$0.045	11/10/2021
14	4,250,000	4,250,000	\$0.035	22/11/2021
15	4,250,000	4,250,000	\$0.045	22/11/2021
16	1,500,000	-	\$0.035	30/06/2023
17	1,500,000	-	\$0.045	30/06/2023
18	6,400,000	-	\$0.060	31/12/2022
19	6,400,000	-	\$0.080	31/12/2022
20	1,500,000	-	\$0.050	30/06/2023
21	1,500,000	-	\$0.070	30/06/2023
22	1,250,000	-	\$0.070	11/11/2023
23	1,250,000	-	\$0.090	11/11/2023
24	3,500,000	-	\$0.035	31/03/2023
25	3,500,000	-	\$0.045	31/03/2023
26	29,381,643	-	\$0.017	30/06/2021
27	29,381,693	-	\$0.017	30/06/2021
TOTAL	160,213,336	84,950,000		

REMUNERATION REPORT (Audited)

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

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

The Key Management Personnel for the year 1 July 2019 – 30 June 2020 were the Directors of the Company:

- **Andrew Milner** – Non-Executive Chairman
- **Daniel Rohr** - Non-Executive Director
- **Paul Everingham** – Non-Executive Director
- **Matthew Sullivan** – Managing Director

The other Key Management Personnel were:

- **Matthew Green** – Chief Financial Officer
- **Christopher McLaughlin** – Chief Operating Officer

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

- Principles used to determine the nature and amount of remuneration
- Key Management Personnel remuneration
- Share-based compensation
- Option holdings of Key Management Personnel
- Share holdings of Key Management Personnel

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
- Transparency

The Nomination and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. 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.

The Nomination and Remuneration Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Group.

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

REMUNERATION REPORT (Audited) – (Continued)

- 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
- 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 and responsibilities of their role. Non-Executive Directors' fees and payments are reviewed annually by the Nomination and Remuneration Committee. The Nomination and Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of other Non-Executive Directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to the determination of his own remuneration.

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 8 November 2019, where the shareholders approved a maximum annual aggregate remuneration of \$400,000 p.a. for Director fees.

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 have four components:

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

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

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

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's include profit contribution, customer satisfaction, leadership contribution and product management.

The long-term incentives ('LTI') include long service leave and share-based payments.

REMUNERATION REPORT (Audited) – (Continued)

Employment Contracts

Remuneration and other terms of employment for the Managing Director, Matthew Sullivan, as at 30 June 2020, were formalised in an employment agreement, the terms of which are set out below:

Matthew Sullivan, Managing Director:

- Term of agreement: commenced 2 July 2015.
- Termination notice period: three months.
- Annual Executive Director salary of:
 - \$270,000 – 1 April 2020 to 30 June 2020
 - \$300,000 – 1 July 2019 to 30 March 2020 (2019: \$280,000)
- STI At-Risk of \$120,000 based on the Group's ability to earn a specified EBITDA. If the EBITDA is not achieved, no amount will be paid. If the EBITDA is achieved, then the STI amount will be paid based on the following KPI's:

FY20	%
EBITDA	25
Cost Control	25
Professional Services	25
Annuity Growth	25

Options being expensed:

Options - Unlisted	
Grant date	18-Oct-16
Expiry date	18-Oct-24
Share price at grant date	\$0.03
Exercise price	\$0.06
Vesting Conditions	36 months of service
Fair value at grant date	\$0.01
Number granted	5,000,000
Total fair value	\$48,766
Remuneration expense for FY20	\$4,063
Remuneration expense for FY19	\$16,256

Remuneration and other terms of employment for the Chief Financial Officer, Matthew Green, as at 30 June 2020, were formalised in an employment agreement, the terms of which are set out below:

Matthew Green, Chief Financial Officer:

- Term of agreement: commenced 10 August 2015.
- Termination notice period: three months.
- Annual Chief Financial Officer salary of:
 - \$225,000 – 1 April 2020 to 30 June 2020
 - \$250,000 – 1 July 2019 to 30 March 2020 (2019: \$240,000)
- STI At-Risk of \$100,000 based on the Group's ability to earn a specified EBITDA. If the EBITDA is not achieved, no amount will be paid. If the EBITDA is achieved, then the STI amount will be paid based on the following KPI's:

REMUNERATION REPORT (Audited) – (Continued)

FY20	%
EBITDA	25
Cost Control	25
Professional Services	25
Annuity Growth	25

Options - Unlisted	TIER 1	TIER 2
Grant date	12/04/2020	12/04/2020
Expiry date	30/06/2021	30/06/2021
Share price at grant date	\$0.017	\$0.017
Exercise price	\$0.017	\$0.017
Vesting Conditions	Vests 30/09/2020	Vests 30/11/2020
Fair value at grant date	\$0.0093	\$0.0093
Number granted	477,941	477,941
Total fair value	\$4,445	\$4,445
Remuneration expense for FY20	\$2,222	\$1,667
Remuneration expense for FY19	-	-

Remuneration and other terms of employment for the Chief Operating Officer, Christopher McLaughlin, as at 30 June 2020, were formalised in an employment agreement, the terms of which are set out below:

Christopher McLaughlin, Chief Operating Officer:

- Term of agreement: commenced 1 June 2016.
- Termination notice period: three months.
- Annual Chief Operating Officer salary of:
 - \$234,000 – 1 April 2020 to 30 June 2020
 - \$260,000 – 1 July 2019 to 30 March 2020 (2019: \$250,000)
- STI At-Risk of \$100,000 based on the Group's ability to earn a specified EBITDA. If the EBITDA is not achieved, no amount will be paid. If the EBITDA is achieved, then the STI amount will be paid based on the following KPI's:

FY20	%
EBITDA	25
Cost Control	25
Professional Services	25
Annuity Growth	25

Options - Unlisted	TIER 1	TIER 2	TIER 3	TIER 4
Grant date	08/08/2019	8/8/2019	12/04/2020	12/04/2020
Expiry date	31/12/2022	31/12/2022	30/06/2021	30/06/2021
Share price at grant date	\$ 0.041	\$0.041	\$0.017	\$0.017
Exercise price	\$0.06	\$0.08	\$0.017	\$0.017
Vesting Conditions	Vests 31/12/2020	Vests 30/06/2022	Vests 30/09/2020	Vests 30/11/2020
Fair value at grant date	\$0.0237	\$0.0215	\$0.0093	\$0.0093
Number granted	3,000,000	3,000,000	497,059	497,059
Total fair value	\$71,100	\$64,500	\$4,623	\$4,623
Remuneration expense for FY20	\$46,005	\$17,304	\$2,311	\$1,733
Remuneration expense for FY19	-	-	-	-

REMUNERATION REPORT (Audited) – (Continued)

All other Key Management Personnel were appointed as Directors under the Corporations Act, on the following terms:

Andrew Milner, Non-Executive Chairman:

- Term of agreement: commenced 2 July 2015 and subject to re-election as required by the Company's Constitution.
- Termination as per constitution or breach of the code of conduct.
- Annual Chairman's fee of: (plus statutory superannuation)
 - \$100,000 – 23 January 2020 to 30 June 2020
 - \$70,000 – 1 July 2019 to 22 January 2020 (2019: \$70,000)

Daniel Rohr, Non-Executive Director:

- Term of agreement: commenced 2 July 2015 and subject to re-election as required by the Company's Constitution.
- Termination as per constitution or breach of the code of conduct.
- Annual non-executive director's fee of: (plus statutory superannuation)
 - \$63,000 – 1 April 2020 to 30 June 2020
 - \$70,000 – 23 January to 31 March 2020
 - \$48,402 – 1 July 2019 to 22 January 2020 (2019: \$48,402)

Paul Everingham, Non-Executive Director:

- Term of agreement: commenced 23 July 2018 and subject to re-election as required by the Company Constitution.
- Termination as per constitution or breach of the code of conduct
- Annual non-executive director's fee of: (plus statutory superannuation)
 - \$63,000 – 1 April 2020 to 30 June 2020
 - \$70,000 – 23 January to 31 March 2020
 - \$43,836 – 1 July 2019 to 22 January 2020 (2019: \$43,836)

No Director or Executive is entitled to any termination payments apart from payment in lieu of the notice periods outlined above, remuneration payable up to and including the date of termination and payments due by way of accrued leave entitlements.

Group performance and link to remuneration

Remuneration for certain individuals is directly linked to the performance of the Group. A portion of cash bonus and incentive payments are dependent on defined growth targets being met. The remaining portion of the cash bonus and incentive payments are at the discretion of the Nomination and Remuneration Committee.

The Nomination and Remuneration Committee is of the opinion that the continued improved results can be attributed in part to the adoption of performance-based compensation and is satisfied that this improvement will continue to increase shareholder wealth if maintained over the coming years.

Specifically, in relation to options, this effectively links directors' performance to the share price performance and therefore to the interests of the shareholders. For this reason, there are no performance conditions prior to grant, but instead an incentive to increase the value to all shareholders.

The earnings of the consolidated entity for the five years to 30 June 2020 are summarised below:

	(\$) FY2020	(\$) FY2019	(\$) FY2018	(\$) FY2017	(\$) FY2016
Sales revenue	95,136,463	88,038,326	76,092,829	53,905,392	19,497,757
Normalised EBITDA	3,797,016	2,187,485	1,033,825	861,155	(7,165,466)
Adjusted EBITDA (Pre-option expense)	3,602,805	1,917,917	437,662	(427,019)	(7,293,018)
Net profit / (Loss) after income tax	1,121,912	776,279	2,831,291	400,576	(7,435,386)

REMUNERATION REPORT (Audited) – (Continued)

The factors that are considered to affect shareholders return are summarised below:

	FY2020	FY2019	FY2018	FY2017	FY2016
Share price at finance year end (cents)	2.0	4.0	2.2	2.3	2.7
Basic earnings per share (cents)	0.32	0.09	0.34	0.06	(1.2)

Performance KPI's for the current and prior year are set out below:

FY2020	FY2019
EBITDA	Underlying Profit
Cost Control	Margin
Professional Services	Annuity Growth
Annuity Growth	Cost Control
	Customer Satisfaction
	Employee Satisfaction

No Bonus will be paid to KMPs for the FY 2020 year as the EBITDA gate set by the board was not achieved.

Voting and comments made at the Company's 8 November 2019 Annual General Meeting ('AGM')

At the 2019 AGM, 99% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2019. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

REMUNERATION REPORT (Audited) – (Continued)

KEY MANAGEMENT PERSONNEL REMUNERATION FOR THE YEAR ENDED 30 JUNE 2020

NAME / POSITION	YEAR	SHORT-TERM EMPLOYEE BENEFITS			POST-EMPLOYMENT BENEFITS		EQUITY-SETTLED SHARE-BASED	TOTAL \$	PERFORM ANCE RELATED
		Salary & Fees \$	Bonus \$	Other \$	Super \$	Other \$	Option Expense \$		
Andrew Milner Non-Executive Chairman	2020	82,231	-	-	7,812	-	-	90,043	-
	2019	68,654	-	-	6,522	-	-	75,176	-
Daniel Rohr Non-Executive Director	2020	55,592	-	-	5,281	-	-	60,873	-
	2019	47,471	-	-	4,510	-	-	51,981	-
Paul Everingham Non-Executive Director	2020	52,887	-	-	5,024	-	60,625	118,536	-
	2019	40,520	-	-	3,849	-	-	44,369	-
Matthew Sullivan Managing Director	2020	265,327	-	10,391	21,003	-	4,063	300,784	-
	2019	273,365	-	6,599	24,964	-	47,213	352,141	9%
Matthew Green Chief Financial Officer	2020	213,788	-	(2,434)	21,002	-	3,889	236,245	-
	2019	233,718	-	(1,524)	22,203	-	6,693	261,090	-
Christopher McLaughlin Chief Operating Officer	2020	227,241	-	5,156	21,002	-	67,353	320,752	-
	2019	238,526	-	3,660	22,075	-	5,847	270,108	-
TOTAL	2020	897,066	-	13,113	81,124	-	135,930	1,127,233	-
	2019	902,254	-	8,734	84,123	-	59,753	1,054,865	-

SHARE BASED COMPENSATION TO KEY MANAGEMENT PERSONNEL DURING THE YEAR ENDED 30 JUNE 2020

There are no performance conditions attached to the Director options issued in prior years. Options issued to Directors carry no dividends or voting rights and each option is convertible to one share of the company. Options have been valued using a Black & Scholes model which includes the following inputs.

Matthew Sullivan Options - Unlisted	TIER 1	TIER 2	TIER 3	TIER 4
Grant date	18-Oct-16	18-Oct-16	18-Oct-16	18-Oct-16
Expiry date	5 years from vesting	5 years from vesting	18-Apr-23	18-Oct-24
Share price at grant date	\$0.03	\$0.03	\$0.03	\$0.03
Exercise price	\$0.05	\$0.06	\$0.05	\$0.06
Vesting Conditions	> \$2 million in EBIT	> \$4 million in EBIT	18 months' service	36 months' service
Fair value at grant date	\$0.01	\$0.01	\$0.01	\$0.01
Number granted	5,000,000	5,000,000	5,000,000	5,000,000
Total fair value	\$50,681	\$48,766	\$50,681	\$48,766
Remuneration expense for FY20	-	-	-	\$4,064
Remuneration expense for FY19	\$12,670	\$18,287	-	\$16,256

REMUNERATION REPORT (Audited) – (Continued)

Mr Sullivan's share-based payment expense for the 2020 year made up 1.3% (2019: 20.10%) of his total compensation.

Paul Everingham Options - Unlisted	TIER 1	TIER 2
Grant date	8/11/2019	8/11/2019
Expiry date	7/11/2023	7/11/2023
Share price at grant date	\$0.042	\$0.042
Exercise price	\$0.07	\$0.09
Vesting Conditions	Vests immediately	Vests immediately
Fair value at grant date	\$0.0252	\$0.0233
Number granted	1,250,000	1,250,000
Total fair value	\$31,500	\$29,125
Remuneration expense for FY20	\$31,500	\$29,125

Mr Everingham's share-based payment expense for the 2020 year made up 51.1% (2019: Nil) of his total compensation.

OPTION HOLDINGS OF KEY MANAGEMENT PERSONNEL

30-Jun-20	BALANCE AT THE START OF THE YEAR	BALANCE AT APPOINTMENT / (RESIGNATION) DATE	GRANTED AS REMUNERATION	NET CHANGE	BALANCE AT THE END OF THE YEAR	VESTED AND EXERSIZABLE
Andrew Milner	2,500,000	-	-	-	2,500,000	2,500,000
Daniel Rohr	2,500,000	-	-	-	2,500,000	2,500,000
Paul Everingham	-	-	2,500,000	2,500,000	2,500,000	2,500,000
Matthew Sullivan	20,000,000	-	-	-	20,000,000	15,000,000
Matthew Green	5,075,000	-	955,882	955,882	6,030,882	5,075,000
Christopher McLaughlin	3,350,000	-	6,994,118	6,994,118	10,344,118	3,350,000
TOTAL	33,425,000	-	10,450,000	10,450,000	43,875,000	30,925,000

SHARE HOLDINGS OF KEY MANAGEMENT PERSONNEL

30-Jun 2020	BALANCE AT THE START OF THE YEAR	BALANCE AT APPOINTMENT / (RESIGNATION) DATE	GRANTED AS REMUNERATION	ACQUIRED / (SOLD) ON MARKET	NET CHANGE	BALANCE AT THE END OF
Andrew Milner	44,323,387	-	-	-	-	44,323,387
Daniel Rohr	7,678,863	-	-	-	-	7,678,863
Paul Everingham	4,880,000	-	-	13,000,000	13,000,000	17,880,000
Matthew Sullivan	48,273,387	-	-	-	-	48,273,387
Matthew Green	27,457,781	-	-	990,941	990,941	28,448,722
Christopher McLaughlin	-	-	-	121,975	121,975	121,975
TOTAL	132,613,418	-	-	14,112,916	14,112,916	146,726,334

This concludes the remuneration report, which has been audited.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Subsequent to period end 2,877,382 options were cancelled and 800,000 options were granted in two equal tranches with an exercise price of \$0.05 and \$0.07 respectively expiring on 30 June 2023.

The COVID-19 pandemic has developed rapidly in 2020, with a significant number of cases. Measures taken by various governments to contain the virus have affected economic activity. The Company has taken several measures to monitor and mitigate the effects of COVID-19, including safety and health measures for its employees (such as social distancing and working from home).

At this stage, the impact on the business and its results has not been significant. The Company will continue to follow the government policies and advice and will focus on continuing our operations in the best and safest way possible without jeopardising the health of customers and employees.

Other than the above there has been no transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

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

During the year, BDO, the Group's auditor, has performed certain other services in addition to the audit and review of the financial statements.

The Board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the audit committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the audit committee to ensure they do not impact the integrity and objectivity of the auditor; and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Group, BDO, and its network firms for audit and non-audit services provided during the year are set out below:

Audit and review of financial statements	67,000
Non-audit services:	
Taxation compliance services	17,300
Assistance with R&D returns	45,000
Total non-audit services	62,300
TOTAL	129,300

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

BDO Audit (WA) Pty Limited 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

Date: 18 August 2020	
Matt Sullivan Managing Director	Signature: 

DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF CIRRUS NETWORKS HOLDINGS LIMITED

As lead auditor of Cirrus Networks Holdings Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Cirrus Networks Holdings Limited and the entities it controlled during the period.



Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 18 August 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2020

	NOTE	CONSOLIDATED	
		(\$) 2020	(\$) 2019
REVENUE			
Revenue	2.2	95,136,463	88,038,326
Other Income		87,278	125,794
		95,223,741	88,164,120
EXPENSES			
Purchase of Goods		(62,372,787)	(56,805,785)
Employee and labor related costs		(25,943,345)	(25,753,011)
Depreciation & Amortisation		(1,498,034)	(663,196)
Finance costs		(584,833)	(223,564)
Other Expenses		(3,110,593)	(3,369,679)
Foreign exchange losses		(120,889)	(2,058)
Share based compensation – options		(398,026)	(303,038)
Redundancy & Business Restructure		(73,322)	(267,510)
		(94,101,829)	(87,387,841)
PROFIT BEFORE INCOME TAX		1,121,912	776,279
Income tax benefit	2.3	1,740,502	-
PROFIT AFTER INCOME TAX FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF CIRRUS NETWORKS HOLDINGS LIMITED		2,862,414	776,279
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF CIRRUS NETWORKS HOLDINGS LIMITED		2,862,414	776,279

EARNINGS PER SHARE FROM CONTINUING OPERATIONS	NOTE	CENTS	CENTS
Basic earnings per share	2.4	0.324	0.0884
Diluted earnings per share		0.322	0.0884

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

Consolidated Statement of Financial Position

As at 30 June 2020

	NOTE	CONSOLIDATED	
		(\$) 2020	(\$) 2019
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4.1	6,163,432	5,012,769
Trade and other receivables	4.2	18,073,958	22,462,417
Inventories	3.1	197,278	294,406
TOTAL CURRENT ASSETS		24,434,668	27,769,592
NON-CURRENT ASSETS			
Property, plant and equipment	3.2	518,287	559,888
Right-of-use assets	3.3	1,869,047	-
Intangible assets	3.4	8,305,332	8,727,466
Deferred tax asset	2.3	4,450,424	2,709,922
Trade and other receivables	3.5	913,960	-
TOTAL NON-CURRENT ASSETS		16,057,050	11,997,276
TOTAL ASSETS		40,491,718	39,766,868
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	4.3	21,502,289	26,100,021
Borrowings	5.2	594,962	800,000
Provisions	4.4	896,502	695,057
Lease liabilities	3.3	672,023	-
TOTAL CURRENT LIABILITIES		23,665,776	27,595,078
NON-CURRENT LIABILITIES			
Borrowings	5.2	-	600,000
Provisions	4.4	73,906	267,513
Lease liabilities	3.3	1,296,541	-
Trade and other payables	3.6	890,778	-
TOTAL NON-CURRENT LIABILITIES		2,261,225	867,513
TOTAL LIABILITIES		25,927,001	28,462,591
NET ASSETS		14,564,717	11,304,277
NET ASSETS			
EQUITY			
Issued capital	5.1	14,200,608	14,200,608
Reserves	6.1	1,435,519	1,037,493
Accumulated losses		(1,071,410)	(3,933,824)
TOTAL EQUITY		14,564,717	11,304,277

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2020

	ISSUED CAPITAL (\$)	RESERVES (\$)	ACCUMULATED LOSSES (\$)	TOTAL (\$)
Balance at 1 July 2018	13,775,608	734,455	(4,504,729)	10,005,334
Retrospective adjustment upon change in accounting policy (AASB 9)	-	-	(205,374)	(205,374)
Restated total equity at 30 June 2018	13,775,608	734,455	(4,710,103)	9,799,960
Profit after income tax for the year	-	-	776,279	776,279
Other comprehensive income for the year	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	776,279	776,279
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS				
Issue of share capital (note 5.1)	425,000	-	-	425,000
Options vesting (note 6.1)	-	303,038	-	303,038
BALANCE AT 30 JUNE 2019	14,200,608	1,037,493	(3,933,824)	11,304,277

	ISSUED CAPITAL (\$)	RESERVES (\$)	ACCUMULATED LOSSES (\$)	TOTAL (\$)
Balance at 1 July 2019	14,200,608	1,037,493	(3,933,824)	11,304,277
Profit after income tax expense for the year	-	-	2,862,414	2,862,414
Other comprehensive income for the year	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	2,862,414	2,862,414
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS				
Issue of share capital	-	-	-	-
Capital raising costs	-	-	-	-
Options vesting (note 6.1)	-	398,026	-	398,026
BALANCE AT 30 JUNE 2020	14,200,608	1,435,519	(1,071,410)	14,564,717

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2020

	NOTES	CONSOLIDATED	
		(\$) 2020	(\$) 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		110,432,437	90,827,446
Payments to suppliers and employees (inclusive of GST)		(106,905,459)	(88,492,424)
Net interest (paid) / received		(584,833)	48,159
NET CASH FLOWS FROM OPERATING ACTIVITIES	4.1	2,942,145	2,383,181
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(276,682)	(400,037)
Deferred consideration of Correct Communications Pty Ltd		-	(2,575,000)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(276,682)	(2,975,037)
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal elements of lease payments		(714,800)	-
Proceeds from borrowings		-	1,250,000
Repayment of borrowings		(800,000)	(683,334)
Other - Interest paid		-	(223,564)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(1,514,800)	343,102
Net movement in cash and cash equivalents		1,150,663	(248,754)
Cash and cash equivalents at the beginning of the financial year		5,012,769	5,263,581
Effects of exchange rate changes on cash and cash equivalents		-	(2,058)
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL YEAR		6,163,432	5,012,769

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

1 BASIS OF PREPARATION

1.1 GENERAL INFORMATION

Cirrus Networks Holdings Limited (*'the Company'*) is a for-profit- public company domiciled in Australia. The Company's registered office is located at Level 28, 108 St Georges Terrace, Perth, WA 6000.

These consolidated financial statements comprise the Company and its controlled entities at the end of, or during, the year (together referred to as *'the Group'*) and were authorised for issue by the Board of Directors.

Cirrus Networks is a next-generation technology service provider delivering product, professional services and managed services.

1.2 BASIS OF PREPARATION

These financial statements are general purpose financial statements which:

- have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards ('AASB's') and other authoritative pronouncements of the Accounting Standards Board. The consolidated financial statements comply with International Financial Reporting Standards ('AASB') as issued by the International Accounting Standards Board ('IASB');
- have been prepared on a going concern basis. Based on business forecast associated cash flow and the Group's available credit facilities, the Group has sufficient working capital to fund its mandatory obligations for the period ending 12 months from the date of this report. The Directors have considered the impact of COVID-19 and based on the current state and financial position of the company the Directors do not foresee any issues with the company being able to continue as a going concern. There are no indicators suggesting going concern issues and, therefore, no significant doubt regarding the entity's ability to continue as a going concern;
- have been prepared on a historical cost basis, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments. The basis of measurement is discussed further in the individual notes;
- are presented in Australian Dollars (\$) unless otherwise stated, being, the Company's functional currency, in accordance with ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191;
- adopts all of the new, revised or amended Accounting Standards and Interpretations issued by AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 July 2019. Refer to note 1.4 for further details; and
- do not early adopt any Australian Accounting Standards or Interpretations that have been issued or amended but not yet effective. Refer to note 6.8 for further details.

1.3 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Group. In preparing the consolidated financial statements, all intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Subsidiaries are consolidated from the date on which control is obtained to the date on which control is disposed. The acquisition of subsidiaries is accounted for using the acquisition method of accounting.

1.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Adoption of new accounting standards

During the year the Group reviewed all the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2019.

AASB 16 Leases is a new standard impacting the Group and was adopted from 1 July 2019.

The Group has chosen to adopt the cumulative effect method and as such, the comparative information throughout these consolidated financial statements has not been restated to reflect the requirements of the new standards.

In accordance with the transitional provisions of AASB 16, the Group has elected to adopt AASB 16 using the modified retrospective approach, where the lease liability is measured at the present value of future lease payments on the initial date of application, being 1 July 2019. In determining the present value, the discount rate is determined by reference to the group's incremental borrowing rate on the date of initial application of the standard (1 July 2019).

On transition to AASB 16 the Group has not reassessed whether contracts are, or contain, leases as at 1 July 2019 but has instead used its previous assessment under AASB 117 and Interpretation 4. On transition to AASB 16 the Group has a choice (on a lease by lease basis) to measure right of use assets either:

- at the amount of the lease liability, adjusted for any lease prepayments or accruals recognised under the old leasing standard, AASB 117. The Group has used this method for its plant and equipment leases
- as if AASB 16 had been applied since the commencement of the lease, except that the discount rate used is the incremental borrowing rate on the date of initial application and certain practical expedients are available (see below for the practical expedients used by the Group). The Group has used this method for its leases of property.

On transition to AASB 16 the Group has measured its right of use assets at the amount of the lease liability, adjusted for any lease prepayments or accruals recognised under the old leasing standard, AASB 117.

In applying the modified retrospective approach, the Group has taken advantage of the following practical expedients:

- A single discount rate has been applied to portfolios of leases with reasonably similar characteristics.
- Impairment losses on right-of-use assets as at 1 July 2019 have been measured by reference to the amount of any onerous lease provision recognised on 30 June 2019.
- Leases with a remaining term of 12 months or less from the date of application have been accounted for as short-term leases (i.e. not recognised on balance sheet) even though the initial term of the leases from lease commencement date may have been more than 12 months.

The weighted average incremental borrowing rate applied to lease liabilities on 1 July 2019 was 3.3%.

Other new and amended standards and Interpretations issued by the AASB have been determined by the Group to have no impact, material or otherwise, on its business and therefore no further changes, other than those mentioned above, are necessary to Group accounting policies. No retrospective change in accounting policy or material reclassification has occurred requiring the inclusion of a third Statement of Financial Position as at the beginning of the comparative financial period, as required under AASB 101.

Impact of new accounting standards

The accounting policies of the Group are consistent with those disclosed in the 30 June 2019 financial statements except for the impact of the new or amended standards and interpretations effective 1 July 2019. The effects of initially applying the new standards on the Group's financial statements is that all Right-of-use assets will be brought on the Balance sheet.

1.4 Adoption of new accounting standards (Continued)

AASB 16 'Leases' had a significant impact on the current period. The changes at 30 June 2020 were as follows:

- The current profit before income tax expense was decreased by \$99,660. This included an increased depreciation and amortisation expense of \$757,375 and increased finance costs of \$57,084, offset by a reduction in other expenses (reclassification of lease amortisation expenses) of \$714,800.
- The net current assets were reduced by \$672,023 (attributable to current lease liabilities), total non-current assets increased by \$ 1,869,047, total non-current liabilities increased by \$1,296,541, and net assets were reduced by \$99,660 (attributable to right-of-use assets and lease liabilities).

The weighted average lease's incremental borrowing rate applied to the lease liabilities from 1 July 2019 was 3.3%.

Measurement of lease liabilities	
Operating lease commitments disclosed as at 30 June 2019	2,439,078
Discounted using the incremental borrowing rate at the date of initial application	(585,480)
Lease liability recognised as at 1 July 2019	1,853,598

Of which are	
Current lease liability	643,578
Non-current lease liability	1,210,020
Lease liability recognised as at 1 July 2019	1,853,598

1.5 ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements in conformity with AASB's requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about judgements and estimates which are material to the consolidated financial statements are included in the following notes:

NOTE	KEY JUDGEMENT AND ESTIMATE
2.2 – Revenue	Principal versus agent
2.2 – Revenue	Allocation of transaction price
2.3 – Income tax	Deferred tax asset
2.3 – Income tax	Income tax
3.4 – Intangible assets	Useful life of intangible assets
3.4 – Intangible assets	Impairment of goodwill and other indefinite life intangible assets
3.4 – Intangible assets	Key assumptions used for value-in-use calculations
4.2 – Trade and other receivables	Provision for impairment of receivables
4.4. - Provision	Employee benefits provision
6.1 – Share based payments	Share based payment transactions
6.9 – General	Coronavirus (COVID-19) pandemic

2 RESULTS FOR THE YEAR

2.1 OPERATING SEGMENTS

The Company has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The reportable segment is represented by the primary statements forming this financial report, being one segment, an information technology business in Australia.

2.2 REVENUE

Revenue is recognised when or as the Group transfers control of goods or services to a customer at the amount to which the Group expected to be entitled. If the consideration promised includes a variable amount, the Group estimates the amount of consideration to which it will be entitled.

The primary geographic market in which the Group generates its revenue is Australia.

The following is a description of the principle activities from which the Group generates its revenue:

- **Product sales** – The Group generates revenue from the sale of products, which is recognised at a point in time when the goods are delivered, the legal title has passed and the customer has accepted the goods. The amount of revenue recognised for goods delivered is adjusted by expected returns. Credit terms for product sales is 30 days.
- **Professional services** – Revenue from the provision of professional services is recognised as follows:
 - Fixed price contracts: revenue is recognised based on actual services rendered as a proportion of total services to be provided as the customer receives and uses the benefits simultaneously. Hence revenue is recognised over time. Customers pay based on monthly payment schedules, if the services rendered exceed the payment plan, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.
 - Hourly charge out model: revenue is recognised based on actual services rendered over the agreed customer term, representing a distinct service, that are substantially the same with the same pattern of transfer, such that they would be recognised over time. Customers are invoiced on a monthly basis and consideration is payable when invoiced.
 - Bundled professional services: where professional services are bundles with sales of hardware and software ('products'), the sale of products is a separate performance obligation and the transaction price is allocated to the products and the professional services based on the relative stand-alone prices basis.
- **Managed services** – Revenue from the provision of managed services is recognised in the period in which the services are rendered. The performance obligation is the supply of managed services over the contractual terms. The terms represent distinct contracted services that are substantially the same with the same pattern of transfer, such that they would be recognised over time.

Key judgements and estimates – principal versus agent

A key judgement made by the directors in the sale of goods is that the entity acts as the principal rather than an agent. The directors arrived at this conclusion on the basis that:

- The entity has primary responsibility for fulfilling the order from the customer; and
- The entity has latitude in establishing prices.

On this basis the revenue recorded for goods is the gross amount billed.

Key judgements and estimates– allocation of transaction price

Some fixed price contracts include multiple deliveries such as sale of hardware and software, customisation and installation and ongoing support and maintenance. In such contracts, two or more performance obligations are identified as distinct and hence the transaction is allocated to the performance obligation on relative stand-alone selling price basis. The standalone price of product sold is an estimate based on the retail price.

2.2 REVENUE – (Continued)

DISAGGREGATION OF REVENUE (Geographic Region: Australia)	CONSOLIDATED	
	(\$) 2020	(\$) 2019
PRODUCT TYPE		
Product sales	66,094,180	62,800,220
Professional services	17,265,784	15,439,527
Managed services	11,776,499	9,798,579
	95,136,463	88,038,326
TIMING OF TRANSFER OF GOODS AND SERVICES		
Point in time	66,094,180	62,800,220
Over time	29,042,283	25,238,106
	95,136,463	88,038,326

The amount of revenue that will be recognised in future periods for the Company's significant contracts greater than 12 months, when the remaining performance obligations will be satisfied is as follows:

	CONSOLIDATED		
	(\$) 2021	(\$) 2022	(\$) 2023+
Significant Long-Term Contracts	4,881,851	3,893,201	1,776,898

2.3 INCOME TAX

Income tax expense or benefit comprises current and deferred tax. Current tax assets and liabilities are measured at the amount expected to be recovered from, or paid to, the taxation authorities. Current tax is based on the applicable income tax rates enacted or substantially enacted at the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base used for calculating taxable profits 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 balances are disclosed net to the extent that they relate to taxes levied by the same authority and the Group has the right of set-off. Deferred tax assets and liabilities are always classified as non-current.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. 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.

2.3 INCOME TAX (Continued)

Key judgements and estimates– deferred tax assets

The group has concluded that a deferred tax asset will be recoverable using the estimated future taxable income based on the approved business plans and budgets for the group. Losses can be carried forward indefinitely and have no expiry date.

Key judgements and estimates– 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.

The net deferred tax asset brought to account as at 30 June 2020 is \$4,450,424 (2019: \$2,709,922)

	CONSOLIDATED	
	(\$) 2020	(\$) 2019
(A) INCOME TAX EXPENSE/(BENEFIT)		
Current tax	-	-
Deferred tax	(1,740,502)	-
Recoupment of prior year tax losses	-	-
TOTAL INCOME TAX EXPENSE/(BENEFIT)	(1,740,502)	-
(B) RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE		
Profit for the period	1,121,912	776,279
Prima facie tax payable at 30%	336,661	232,884
ADD TAX EFFECT OF:		
Non-deductible expenses	127,565	111,738
Non-assessable income	-	-
Current year losses realised	-	-
Movement in timing differences not brought to account	-	(344,622)
Previously unrecognized deferred tax assets brought to account	(464,226)	-
Deferred tax asset on losses brought to account	(1,740,502)	-
INCOME TAX BENEFIT / (EXPENSE)	(1,740,502)	-
(C) DEFERRED TAX LIABILITY		
Contract asset	-	-
Prepaid expenditure	7,567	96
Intangible	243,274	306,452
Other temporary differences	-	389
Offset of deferred tax assets	(250,841)	(306,937)
NET DEFERRED TAX LIABILITY RECOGNISED	-	-

2.3 INCOME TAX (Continued)

(D) DEFERRED TAX ASSET		
Tax losses	4,089,405	2,625,476
Property, plant and equipment	38,113	2,789
Expenses taken into equity	13,338	49,806
Other temporary differences	560,409	338,788
	4,701,265	3,016,859
Offset of deferred tax liabilities	(250,841)	(306,937)
NET DEFERRED TAX ASSETS RECOGNISED	4,450,424	2,709,922
DEFERRED TAX ASSET ON TAX LOSSES NOT BROUGHT TO ACCOUNT	866,625	2,010,737
(E) TAX LOSSES CARRIED FORWARD		
As at 30 June 2020, the Company has \$866,625 tax losses (2019: 2,010,737) relating to unused tax losses. Net deferred tax assets of \$1,740,502 (2019: \$318,378) has been recognised in the consolidated statement of financial position in respect of the amount of these losses brought to account to the extent that it is probable future taxable profits will be generated by the Group.		

2.4 EARNINGS PER SHARE

Earnings per share ('EPS') is the amount of post-tax profit or loss attributable to each share.

The calculation of basic earnings per share at year end has been based on the profit attributable to ordinary shareholders and weighted average number of ordinary shares outstanding. Diluted EPS takes into account the dilutive effect of all potential ordinary shares, being share options on issue.

EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	CONSOLIDATED	
	2020	2019
BASIC EPS		
Profit attributable to the owners of Cirrus Networks Holdings Limited	\$2,862,414	\$776,279
Weighted average number of ordinary shares	883,384,099	877,988,673
Basic Earnings per share – cents	0.324	0.088
DILUTED EPS		
Profit attributable to the owners of Cirrus Networks Holdings Limited	\$2,862,414	\$776,279
Weighted average number of ordinary shares	889,678,747	877,988,673
Diluted Earnings per share – cents	0.322	0.088

The number of options on issue at 30 June 2020 is 162,290,718 (2019: 84,950,000). At 30 June 2020 63,023,809 (2019: Nil) were considered dilutive as the average market price of the ordinary shares exceeds the exercise price of the options.

3 ASSETS AND LIABILITIES

3.1 INVENTORIES

Stock on hand is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

	CONSOLIDATED	
	(\$) 2020	(\$) 2019
INVENTORIES - AT COST	197,278	294,406

3.2 PROPERTY, PLANT AND EQUIPMENT

Recognition and measurement

The carrying value of property, plant and equipment is measured as the cost of the asset, less depreciation and impairment. Costs include purchase price, other directly attributable costs and the initial estimate of the costs of dismantling and restoring the asset, where applicable.

Depreciation

The depreciable amount of all property, plant and equipment is depreciated on a straight-line method from the date that management determine that the asset is available for use.

Items of plant and equipment are depreciated using the cost model, depreciated on a straight-line basis over their useful lives. The cost model is where the asset is carried at its cost less any accumulated depreciation and any impairment losses. The estimated useful lives of plant and equipment held by the Group (office and computer equipment and hosting infrastructure) is 4 years.

Leasehold improvements are depreciated over the shorter of the term of the lease and the assets useful life. The estimated useful life of leasehold improvements is 4 years.

Impairment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an assets 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.

Derecognition

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised in profit or loss when the item is de-recognised.

Judgements and estimates – Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

3.2 PROPERTY, PLANT AND EQUIPMENT (Continued)

PROPERTY, PLANT AND EQUIPMENT	CONSOLIDATED	
	(\$) 2020	(\$) 2019
Computer and office equipment - at cost	580,312	786,814
Less: Accumulated depreciation	(297,561)	(509,837)
	282,751	276,977
Hosting Infrastructure - at cost	490,700	591,785
Less: Accumulated depreciation	(336,860)	(332,318)
	153,840	259,467
Leasehold Improvements - at cost	97,930	158,932
Less: Accumulated depreciation	(16,234)	(135,488)
	81,696	23,444
	518,287	559,888

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

CONSOLIDATED	COMPUTER AND OFFICE EQUIPMENT (\$)	HOSTING INFRASTRUCTURE (\$)	LEASEHOLD IMPROVEMENT (\$)	TOTAL (\$)
BALANCE AT 1 JULY 2018	330,637	290,303	32,203	653,143
Additions	51,549	141,710	20,000	213,259
Depreciation expense	(105,209)	(172,546)	(28,759)	(306,514)
BALANCE AT 30 JUNE 2019	276,977	259,467	23,444	559,888
Additions	49,269	51,990	60,254	161,513
Depreciation expense	(43,495)	(157,617)	(2,002)	(203,114)
BALANCE AT 30 JUNE 2020	282,751	153,840	81,696	518,287

3.3 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

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

3.3 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Continued)

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

RIGHT-OF-USE ASSETS

RIGHT-OF-USE ASSETS	CONSOLIDATED	
	(\$) 2020	(\$) 2019
Land and buildings - right-of-use assets	2,626,707	-
Less: Accumulated amortisation	(757,660)	-
	1,869,047	-

AASB 16 was adopted in the period. Refer to Note 1.4 for further detail on the transition.

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

CONSOLIDATED	Buildings (\$)
BALANCE AT 1 JULY 2019	-
Additions on adoption of AASB 16	1,853,598
Other Additions	772,824
Amortisation expense	(757,375)
BALANCE AT 30 JUNE 2020	1,869,047

Additions to the right-of-use assets during the year were \$2,604,415 on adoption of AASB 16 on 1 July 2019.

The Group leases land and buildings for its offices under agreements of between one and five years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Recoverability of the right-of-use asset was considered as part of our impairment testing. Details of this testing can be found at note 3.4. No issues around recoverability were identified.

3.3 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Continued)

LEASE LIABILITIES

LEASE LIABILITIES	CONSOLIDATED	
	(\$) 2020	(\$) 2019
Lease Liabilities – current	672,023	-
Lease Liabilities – non-current	1,296,541	-
	1,968,564	-

AASB 16 was adopted in the period. Refer to Note 1.4 for further detail on the transition.

Lease payments to be made under reasonably certain extensions options are also included in the measurement of the liability.

Amounts recognised in the consolidated statement of profit or loss

PROFIT OR LOSS	CONSOLIDATED	
	(\$) 2020	(\$) 2019
Interest Expense (included in finance cost)	57,084	-
Depreciation charge of right-of-use assets (Buildings)	757,375	-
		-

Cash outflow

The total outflow for leases in 2020 was \$714,800.

3.4 INTANGIBLE ASSETS

The Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment.

The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business and is initially measured at cost. Cost is measured as the cost of the business combination minus the net fair value of the acquired and identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Impairment

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Impairment loss is recognised for the amount by which the carrying amount exceeds its recoverable amount.

3.4 INTANGIBLE ASSETS (Continued)

Recoverable amount is the higher of an assets 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.

Key judgements and estimates – useful life of intangible assets

Intangible assets are stated at their historical cost and amortised on a straight-lined basis over their expected useful lives. The fair value determination of customer contracts and related relationships is derived from expected retention rates and cash flows over the customer's remaining estimated lifetime. Amortisation of customer relationships is over 5 years. Amortisation of software is over 3 years.

Key judgements and estimates – impairment of goodwill and other indefinite life intangible assets

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment. 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.

	CONSOLIDATED	
	(\$) 2020	(\$) 2019
Intangible assets	985,726	1,407,860
Goodwill - at cost	7,319,606	7,319,606
	8,305,332	8,727,466

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

CONSOLIDATED	TOTAL (\$)
Balance at 1 July 2018	8,792,795
Additions through asset purchase	291,354
Accumulated amortisation and impairment	(356,683)
BALANCE AT 30 JUNE 2019	8,727,466
Additions through asset purchase	-
Accumulated amortisation and impairment	(422,134)
BALANCE AT 30 JUNE 2020	8,305,332

For the purpose of impairment testing, intangibles are allocated to one (2019: one) Cash Generating Unit ('CGU') which are part of one (2019: one) reportable segment. As at 30 June 2020, the business monitors the operating results of one distinct business unit for the purposes of making decisions about resource allocation and performance assessment.

The performance of this business unit was primarily evaluated based on Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA).

3.4 INTANGIBLE ASSETS – (Continued)

Key judgements and estimates – key assumptions used for value-in-use calculations

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of a CGU is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period.

Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. These growth rates are consistent with forecasts included in industry reports specific to the industry in which the CGU operates.

The following table sets out the key assumptions for those CGUs that have significant goodwill allocated to them.

DESCRIPTION	2020 CGU	2019 CGU
Sales growth (% annual growth rate)	2.5	5.0
Budgeted gross margin (%)	18.0	20.0
Other operating costs (\$'000)	14,777	14,256
Annual capital expenditure (\$'000)	200	100
Long term growth rate (%)	2.5	2.5
Pre-tax discount rate (%)	12.0	13.0

Management has determined the values assigned to each of the above key assumptions as follows:

ASSUMPTION	APPROACH USED TO DETERMINE VALUES
Sales growth	Average annual growth rate over the five-year forecast based on past performance and management's expectations of market development. A prudent 2.5% was applied in the current year give the uncertainty around Covid 19.
Budgeted gross margin	Based on past performance and management's expectations for the future.
Other operating costs	Fixed costs of the CGUs, which do not vary significantly with sales growth. Management forecasts these costs based on the current structure of the business, adjusting for inflationary increases but not reflecting any future restructurings or cost saving measures.
Annual capital expenditure	There is generally limited need for additions or capital improvements therefore limited capital expenditure assumed in the five-year forecast.
Long-term growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the budgeted period.
Post-tax discount rate	Reflect specific risks relating to the relevant segments in which they operate.
Uncertainties around COVID-19	COVID-19 has been considered in detail through our impairment assessment. Please refer to note 6.9 and 6.10 for further information. Specific consideration was applied to cashflow forecasts in relation to the Group's Victoria operations.

Sensitivity to change in assumptions

The Directors and management have considered and assessed reasonable possible changes to key assumptions that result in a change to the recoverable amount for each CGU. With regards to the assessment, management recognises that the actual time value of money and the discount rate used may vary from the estimated. Management note that there is sufficient headroom in estimates that no significant changes to key assumptions will result in an impairment, based on expected cash flows of the CGU.

3.5 TRADE AND OTHER RECEIVABLES (NON-CURRENT)

	CONSOLIDATED	
	(\$) 2020	(\$) 2019
TRADE AND OTHER RECEIVABLES (NON-CURRENT)	913,960	-

The above relates to a non-current receivable due on the 15 July 2021. The value is fully recoverable.

3.6 TRADE AND OTHER PAYABLES (NON-CURRENT)

	CONSOLIDATED	
	(\$) 2020	(\$) 2019
TRADE AND OTHER PAYABLES (NON-CURRENT)	890,778	-

The above relates to a non-current payable due on the 15 July 2021.

3.7 COMMITMENTS

Operating lease commitments

In the prior year the Group had three significant office leases spanning more than one year which are all non-cancellable leases.

- One lease has a five-year term, with rent payable monthly in advance. Contingent rental provisions within this lease agreement require that the minimum lease payments shall be increased by CPI + 1% per annum. An option exists to renew the lease at the end of the five-year term and the lease allows for subletting of all lease areas pending the lessor's consent.
- One lease has a five-year term, with rent payable monthly in advance. Contingent rental provisions within this lease agreement require that the minimum lease payments shall be increased by 3.75% per annum.
- The other lease has a four year, with rent payable monthly in advance. Contingent rental provisions within this lease agreement require that the minimum lease payments shall be increased by 3.75% per annum.

MINIMUM LEASE PAYMENTS UNDER NON-CANCELLABLE OPERATING LEASES	(\$) 2019
Within one year	771,188
After one year but not more than five years	1,667,890
More than five years	-
	2,439,078

Lease of office premises is now recorded under the new accounting standards as of 30 June 2020 (refer to Note 3.3)

3.8 CONTINGENT LIABILITIES AND ASSETS

The Group maintains bank guarantees for its rental properties. The Group has no known contingent liabilities or contingent assets.

4 WORKING CAPITAL DISCLOSURES

4.1 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include 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.

RECONCILIATION OF CASH AND CASH EQUIVALENTS	CONSOLIDATED	
	(\$) 2020	(\$) 2019
CASH AT BANK	6,163,432	5,012,769

RECONCILIATION OF THE NET PROFIT AFTER INCOME TAX TO THE NET CASH FLOWS USED IN OPERATIONS	CONSOLIDATED	
	(\$) 2020	(\$) 2019
PROFIT FOR THE YEAR	2,862,414	776,279
Cash flows excluded from profit attributable to operating activities non-cash flows in profit:		
Depreciation and amortization	740,658	663,196
Amortisation from leases	757,375	-
Employee remuneration (options)	398,026	303,038
Changes in assets and liabilities (net effect):		
(increase)/decrease in trade and other receivables	3,474,499	(7,724,604)
(increase)/decrease in other assets	97,128	84,337
(increase)/decrease in deferred tax asset	(1,740,502)	-
increase/(decrease) in trade and other payables	(3,655,289)	8,232,345
increase/(decrease) in employee benefits	7,836	48,590
CASH FLOW GENERATED FROM OPERATIONS	2,942,145	2,383,181

Non-cash investing and financing activities

Non-cash investing and financing activities disclosed in other notes are:

- Acquisition of right-of-use assets – **note 3.3**
- Options issued to employees under the employee option scheme for no cash consideration – **note 6.1**

2019: Shares to a value of \$425,000 issued as deferred consideration for the acquisition of Correct Communications.

Net Cash

	CONSOLIDATED	
	(\$) 2020	(\$) 2019
Cash and cash equivalents	6,163,432	5,012,769
Borrowings	(594,962)	(1,400,000)
Net cash before leases	5,568,470	3,612,769
Leases - recognised on adoption of AASB 16 (See note 3.3)	(1,968,564)	-
Net cash	3,599,906	3,612,769

4.2 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 provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. Other receivables are recognised at amortised cost, less any provision for impairment.

Key judgements and estimates– provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by using the expected credit loss model.

	CONSOLIDATED	
	(\$) 2020	(\$) 2019
Trade receivables	15,043,689	20,467,838
Contract asset	1,701,638	71,578
Other receivables	1,328,631	1,923,001
	18,073,958	22,462,417

Contract assets

Contract assets relate to professional and managed services work performed at 30 June 2020 but not yet invoiced.

The increase in contract assets from FY 2019 is due to a combination of timing around invoicing and an increase in the number of on-going projects.

All services are for a period of one year or less and are generally billed based on time incurred. As permitted by AASB 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Receivables past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to \$1,467,244 as at 30 June 2020 (2019: \$1,626,538).

The Group did not consider a credit risk on the aggregate balances after reviewing the credit terms of customers based on recent collection practices. The ageing of the past due but not impaired receivables are as follows:

	CONSOLIDATED	
	(\$) 2020	(\$) 2019
0 to 1 month overdue	872,138	918,649
1 to 3 months overdue	346,384	627,331
Over 3 months overdue	248,721	80,558
	1,467,243	1,626,538

Refer to note 6.5 for further information on credit ratings of all trade receivables.

4.3 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.

	CONSOLIDATED	
	(\$) 2020	(\$) 2019
Trade payables	19,287,923	24,795,131
Contract liabilities	584,823	-
Accruals	330,182	381,320
Other payables	1,299,361	923,570
	21,502,289	26,100,021

Contract liabilities

Contract liabilities relate to professional and managed services which have been invoiced at 30 June 2020 but the service not yet completed.

The increase in contract assets from FY 2019 is due to a combination of timing around invoicing and an increase in the number of on-going projects. An increase in pre-paid professional service hours has also contributed to the increase

All services are for a period of one year or less and are generally billed based on time incurred. As permitted by AASB 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Financial risk management

Refer to note 6.5 for further information on financial risk management.

4.4 PROVISIONS

Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

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 as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

4.4 PROVISIONS (Continued)

Key Judgements and estimates - Employee benefits provision

The liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

CURRENT PROVISIONS	CONSOLIDATED	
	(\$) 2020	(\$) 2019
Annual leave	819,535	680,230
Long service leave	76,967	-
Provision for onerous lease	-	12,847
Lease incentive	-	1,980
	896,502	695,057

NON-CURRENT PROVISIONS	CONSOLIDATED	
	(\$) 2020	(\$) 2019
Lease incentive	-	11,880
Long service leave	73,906	255,633
	73,906	267,513

5 EQUITY AND FUNDING

5.1 ISSUED CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

ISSUED AND PAID UP CAPITAL	CONSOLIDATED			
	2020 (NO.)	2019 (NO.)	2020 (\$)	2019 (\$)
Share Capital	883,384,099	883,384,099	15,721,584	15,721,584
Capital Raising Costs	-	-	(1,520,976)	(1,520,976)
	883,384,099	883,384,099	14,200,608	14,200,608

MOVEMENT RECONCILIATION	CONSOLIDATED			
	2020 (NO.)	2019 (NO.)	2020 (\$)	2019 (\$)
Balance at the beginning of the year	883,384,099	861,502,650	14,200,608	13,775,608
Issue of shares	-	21,881,449	-	425,000
Less: Capital raising costs	-	-	-	-
BALANCE AT THE END OF THE YEAR	883,384,099	883,384,099	14,200,608	14,200,608

5.1 ISSUED CAPITAL (Continued)

The Company had the following classes of options on issue as at the reporting date:

CLASS	NUMBER		EXERCISE PRICE	EXPIRY DATE
	2020	2019		
1	3,825,000	5,325,000	\$0.035	30/06/2022
2	3,825,000	5,325,000	\$0.045	30/06/2022
3	-	7,000,000	\$0.080	31/12/2019
4	5,462,500	6,287,500	\$0.035	13/11/2020
5	5,462,500	6,287,500	\$0.045	13/11/2020
6	5,537,500	5,612,500	\$0.035	30/06/2021
7	5,537,500	5,612,500	\$0.045	30/06/2021
8	5,000,000	5,000,000	\$0.045	30/06/2025
9	5,000,000	5,000,000	\$0.060	5 years from vesting date
10	5,000,000	5,000,000	\$0.045	18/04/2023
11	5,000,000	5,000,000	\$0.060	18/10/2024
12	7,500,000	7,500,000	\$0.060	11/10/2023
13	7,500,000	7,500,000	\$0.045	11/10/2021
14	4,250,000	4,250,000	\$0.035	22/11/2021
15	4,250,000	4,250,000	\$0.045	22/11/2021
16	1,500,000	-	\$0.035	30/06/2023
17	1,500,000	-	\$0.045	30/06/2023
18	6,600,000	-	\$0.060	31/12/2022
19	6,600,000	-	\$0.080	31/12/2022
20	1,100,000	-	\$0.050	30/06/2023
21	1,100,000	-	\$0.070	30/06/2023
22	1,250,000	-	\$0.070	11/11/2023
23	1,250,000	-	\$0.090	11/11/2023
24	3,900,000	-	\$0.035	31/03/2023
25	3,900,000	-	\$0.045	31/03/2023
26	30,220,334	-	\$0.017	30/06/2021
27	30,220,384	-	\$0.017	30/06/2021
TOTAL	162,290,718	84,950,000		

Movements in the number of options on issue during the current and prior financial years are as follows:

DESCRIPTION	NO.
BALANCE AS AT 1 JULY 2018	112,750,000
Options issued during the year – employees	3,000,000
Options cancelled/expired during the year	(30,800,000)
BALANCE AS AT 30 JUNE 2019	84,950,000
Options issued during the year – employees	90,623,809
Options issued during the year – Directors	2,500,000
Options cancelled/expired during the year	(15,783,091)
BALANCE AS AT 30 JUNE 2020	162,290,718

5.2 LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate risk, see note 6.5.

DESCRIPTION	CONSOLIDATED	
	(\$) 2020	(\$) 2019
Borrowings-current	594,962	800,000
Borrowings-non-current	-	600,000
	594,962	1,400,000

The Group has a separate unsecured Commercial Advance Facility with Bankwest specifically for Acquisition Funding. Interest payable at BBSY plus a margin of 3.30% per annum. The loan will be fully repaid on 9 December 2020. As at 30 June 2020, \$600,000 has been drawn down under the Commercial Advance Facility.

6 OTHER DISCLOSURES

6.1 SHARE BASED PAYMENTS

Goods or services received or acquired in a share-based payment transaction are recognised as an increase in equity if the goods or services were received in an equity-settled share-based payment transaction or as a liability if the goods and services were acquired in a cash settled share-based payment transaction.

Key judgements and estimates - Share-based payment transactions

For equity-settled share-based transactions, goods or services received are measured directly at the fair value of the goods or services received provided this can be estimated reliably. If a reliable estimate cannot be made the value of the goods or services is determined indirectly by reference to the fair value of the equity instrument granted using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Transactions with employees and others providing similar service are measured by reference to the fair value at grant date of the equity instrument granted using a Black-Scholes option pricing model

RESERVES	CONSOLIDATED	
	(\$) 2020	(\$) 2019
Equity Settled Employee Benefits Reserve	1,435,519	1,037,493
	1,435,519	1,037,493

6.1 SHARE BASED PAYMENTS – (Continued)

Share based payment plans for Directors and other Key Management Personnel

The following share-based payment arrangements were in place during the current and prior periods:

2020							
NUMBER OF OPTIONS	GRANT DATE	EXPIRY DATE	EXERCISE PRICE	SHARE PRICE AT GRANT DATE	FAIR VALUE AT GRANT DATE	% VESTED	VESTING DATE
5,462,500	20/11/2015	13/11/2020	\$0.035	\$0.030	\$190,498	100%	Vested
5,462,500	20/11/2015	13/11/2020	\$0.045	\$0.030	\$176,490	100%	Vested
5,537,500	05/07/2016	30/06/2021	\$0.035	\$0.028	\$72,686	100%	Vested
5,537,500	05/07/2016	30/06/2021	\$0.045	\$0.028	\$61,911	100%	Vested
5,000,000	18/10/2016	30/06/2025	\$0.045	\$0.028	\$50,681	100%	Vested
5,000,000	18/10/2016	5 years from vesting date	\$0.060	\$0.028	\$48,766	0%	When EBIT >4M
5,000,000	18/10/2016	18/04/2023	\$0.045	\$0.028	\$50,681	100%	Vested
5,000,000	18/10/2016	18/10/2024	\$0.060	\$0.028	\$48,766	100%	Vested
1,762,500	13/06/2017	30/06/2022	\$0.035	\$0.017	\$6,169	100%	Vested
1,762,500	13/06/2017	30/06/2022	\$0.045	\$0.017	\$7,931	100%	Vested
2,062,500	09/07/2017	30/06/2022	\$0.035	\$0.017	\$24,956	100%	Vested
2,062,500	9/07/2017	30/06/2022	\$0.045	\$0.017	\$23,756	0%	9/07/2020
7,500,000	11/10/2017	11/10/2021	\$0.045	\$0.023	\$76,530	0%	11/10/2020
7,500,000	11/10/2017	11/10/2023	\$0.060	\$0.023	\$89,822	0%	11/10/2022
4,250,000	23/11/2017	22/11/2021	\$0.035	\$0.017	\$41,650	100%	Vested
4,250,000	23/11/2017	22/11/2021	\$0.045	\$0.017	\$38,675	100%	Vested
1,500,000	07/01/2019	30/06/2023	\$0.035	\$0.017	\$13,650	0%	20/03/2021
1,500,000	07/01/2019	30/06/2023	\$0.045	\$0.017	\$12,300	0%	20/09/2022
6,600,000	08/08/2019	31/12/2022	\$0.060	\$0.041	\$163,530	0%	31/12/2020
6,600,000	08/08/2019	31/12/2022	\$0.080	\$0.041	\$148,350	0%	30/06/2022
500,000	02/10/2019	30/06/2023	\$0.050	\$0.043	\$14,150	0%	1/04/2021
500,000	02/10/2019	30/06/2023	\$0.070	\$0.043	\$12,900	0%	1/10/2022
1,250,000	08/11/2019	11/11/2023	\$0.070	\$0.042	\$31,500	100%	Vested
1,250,000	08/11/2019	11/11/2023	\$0.090	\$0.042	\$29,125	100%	Vested
600,000	20/01/2020	30/06/2023	\$0.050	\$0.038	\$13,920	0%	20/07/2021
600,000	20/01/2020	30/06/2023	\$0.070	\$0.038	\$12,480	0%	20/01/2023
3,900,000	31/03/2020	31/03/2023	\$0.035	\$0.018	\$42,140	0%	15/10/2021
3,900,000	31/03/2020	31/03/2023	\$0.045	\$0.018	\$38,700	0%	15/04/2023
30,220,334	12/04/2020	30/06/2021	\$0.017	\$0.020	\$293,060	0%	30/09/2020
30,220,384	12/04/2020	30/06/2021	\$0.017	\$0.020	\$293,061	0%	30/11/2020
162,290,718							

6.1 SHARE BASED PAYMENTS – (Continued)

2019							
NUMBER OF OPTIONS	GRANT DATE	EXPIRY DATE	EXERCISE PRICE	SHARE PRICE AT GRANT DATE	FAIR VALUE AT GRANT DATE	% VESTED	VESTING DATE
7,000,000	2/12/2014	31/12/2019	\$0.08	\$0.02	\$162,400	100%	Vested
6,287,500	20/11/2015	13/11/2020	\$0.04	\$0.03	\$190,498	100%	Vested
6,287,500	20/11/2015	13/11/2020	\$0.05	\$0.03	\$176,490	100%	Vested
5,612,500	5/07/2016	30/06/2021	\$0.04	\$0.03	\$72,686	100%	Vested
5,612,500	5/07/2016	30/06/2021	\$0.05	\$0.03	\$61,911	0%	20/07/2019
5,000,000	18/10/2016	5 years from vesting date	\$0.05	\$0.03	\$50,681	0%	When EBIT >2M
5,000,000	18/10/2016	5 years from vesting date	\$0.06	\$0.03	\$48,766	0%	When EBIT >4M
5,000,000	18/10/2016	18/04/2023	\$0.05	\$0.03	\$50,681	100%	Vested
5,000,000	18/10/2016	18/10/2024	\$0.06	\$0.03	\$48,766	0%	18/10/2019
1,762,500	13/06/2017	30/06/2022	\$0.04	\$0.02	\$6,169	100%	Vested
1,762,500	13/06/2017	30/06/2022	\$0.05	\$0.02	\$7,931	100%	Vested
2,062,500	9/07/2017	30/06/2022	\$0.04	\$0.02	\$24,956	100%	Vested
2,062,500	9/07/2017	30/06/2022	\$0.05	\$0.02	\$23,756	0%	9/07/2020
7,500,000	11/10/2017	11/10/2021	\$0.05	\$0.02	\$76,530	0%	11/10/2020
7,500,000	11/10/2017	11/10/2023	\$0.06	\$0.02	\$89,822	0%	11/10/2022
4,250,000	23/11/2017	22/11/2021	\$0.04	\$0.02	\$41,650	100%	Vested
4,250,000	23/11/2017	22/11/2021	\$0.05	\$0.02	\$38,675	100%	Vested
1,500,000	28/09/2018	30/06/2022	\$0.04	\$0.02	\$12,459	0%	28/03/2020
1,500,000	28/09/2018	30/06/2022	\$0.05	\$0.02	\$10,855	0%	28/09/2020
84,950,000							

The following table illustrates the number and weighted average exercise prices of and movements in share options issued during the year.

	2020		2019	
	NUMBER	(\$) WEIGHTED AVERAGE EXERCISE PRICE	NUMBER	(\$) WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at the beginning of year	84,950,000	0.05	112,750,000	0.06
Granted during the year	93,123,809	0.03	3,000,000	0.04
Forfeited during the year	(8,783,091)	0.04	(10,550,000)	0.04
Exercised during the year	-	-	-	-
Expired during the year	(7,000,000)	0.08	(20,250,000)	0.1
Outstanding at the end of year	162,290,718	0.04	84,950,000	0.05
Exercisable at the end of the year	53,587,500	0.04	44,275,000	0.04

The options outstanding at 30 June 2020 had an exercise price in the range of \$0.017 to \$0.080. The weighted average remaining contractual life of options outstanding (excluding EBIT based options) at the end of the year was 1.8 years.

6.1 SHARE BASED PAYMENTS – (Continued)

Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the year as part of employee benefit expense were as follows:

	(\$) 2020	(\$) 2019
Options issued under employee option plan	398,026	303,038

Fair value of options granted

The fair value of the equity-settled share options granted under the option plan is estimated as at the date of grant using the Black and Scholes model taking into account the terms and conditions upon which the options were granted.

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

EMPLOYEE OPTIONS	2020			
	DIRECTOR OPTIONS		EMPLOYEE OPTIONS (including 3m per tranche to COO)	
Grant date	8-Nov-19	8-Nov-19	8-Aug-19	8-Aug-19
Expiry date	11-Nov-23	11-Nov-23	31-Dec-22	31-Dec-22
Share price at grant date	\$0.04	\$0.04	\$0.04	\$0.04
Exercise price	\$0.07	\$0.09	\$0.06	\$0.08
Expected volatility	99.21%	99.21%	102.23%	102.23%
Dividend yield	0.00%	0.00%	0.00%	0.00%
Risk free interest rate	0.98%	0.98%	0.72%	0.72%
Fair value at grant date	\$0.03	\$0.02	\$0.02	\$0.02
Number granted	1,250,000	1,250,000	6,900,000	6,900,000
Total fair value	\$31,500	\$29,125	\$163,530	\$148,350

EMPLOYEE OPTIONS	2020			
	EMPLOYEE OPTIONS		EMPLOYEE OPTIONS	
Grant date	7-Jan-19	7-Jan-19	11-Nov-19	11-Nov-19
Expiry date	30-Jun-23	30-Jun-23	30-Jun-23	30-Jun-23
Share price at grant date	\$0.02	\$0.02	\$0.04	\$0.04
Exercise price	\$0.04	\$0.05	\$0.05	\$0.07
Expected volatility	88.31%	88.31%	102.10%	102.10%
Dividend yield	0.00%	0.00%	0.00%	0.00%
Risk free interest rate	1.94%	1.94%	0.97%	0.97%
Fair value at grant date	\$0.01	\$0.01	\$0.03	\$0.03
Number granted	1,500,000	1,500,000	500,000	500,000
Total fair value	\$13,650	\$12,300	\$14,150	\$12,900

6.1 SHARE BASED PAYMENTS – (Continued)

EMPLOYEE OPTIONS	2020			
	EMPLOYEE OPTIONS		EMPLOYEE OPTIONS	
Grant date	20-Jan-20	20-Jan-20	31-Mar-20	31-Mar-20
Expiry date	30-Jun-23	30-Jun-23	31-Mar-23	31-Mar-23
Share price at grant date	\$0.038	\$0.038	\$0.018	\$0.018
Exercise price	\$0.050	\$0.070	\$0.035	\$0.045
Expected volatility	97.2%	97.2%	102.23%	102.23%
Dividend yield	0.00%	0.00%	0.00%	0.00%
Risk free interest rate	0.97%	0.97%	0.72%	0.72%
Fair value at grant date	\$0.023	\$0.021	\$0.010	\$0.009
Number granted	600,000	600,000	4,300,000	4,300,000
Total fair value	\$13,920	\$12,480	\$42,140	\$38,700

EMPLOYEE OPTIONS	2020	
	EMPLOYEE OPTIONS (including 497,059 and 477,941 per tranche to the COO and CFO respectively)	
Grant date	12-Apr-20	12-Apr-20
Expiry date	30-Jun-23	30-Jun-23
Share price at grant date	\$0.020	\$0.020
Exercise price	\$0.017	\$0.017
Expected volatility	99.07%	99.07%
Dividend yield	0.00%	0.00%
Risk free interest rate	0.72%	0.72%
Fair value at grant date	\$0.009	\$0.009
Number granted	31,511,879	31,511,930
Total fair value	\$293,060	\$293,061

For the options granted during the 2019 financial year, the valuation model inputs used to determine the fair value at the grant date are as follows:

EMPLOYEE OPTIONS	2019	
	TIER 1	TIER 2
Grant date	28-Sep-18	28-Sep-18
Expiry date	30-Jun-22	30-Jun-22
Share price at grant date	\$0.02	\$0.02
Exercise price	\$0.04	\$0.05
Expected volatility	78.95%	78.95%
Dividend yield	0.00%	0.00%
Risk free interest rate	2.29%	2.29%
Fair value at grant date	\$0.01	\$0.01
Number granted	1,500,000	1,500,000
Total fair value	\$12,450	\$10,855

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

6.2 REMUNERATION OF AUDITORS

During the financial year the following fees were paid or payable for services provided by BDO Audit (WA) Pty Limited, the auditor of the Company:

DESCRIPTION	CONSOLIDATED	
	(\$) 2020	(\$) 2019
Audit services - BDO Audit (WA) Pty Limited Audit or review of the financial statements	67,000	48,854
Other services - BDO Corporate Tax (WA) Pty Limited Tax advice & return preparation	62,300	90,818
	129,300	139,672

6.3 RELATED PARTY TRANSACTIONS

There were no key management personnel, or their related parties, holding positions in other entities during the financial year that result in them having control or significant influence over the financial or operating policies of those entities.

For the prior year, the terms and conditions of those transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions with non-key management personnel related companies on an arm's length basis.

The aggregate value of transactions and outstanding balances (excluding reimbursements of expenses incurred on behalf of the Company) relating to key management personnel and entities over which they have control or significant influence for the prior year were as follows:

KEY MANAGEMENT PERSONNEL COMPENSATION	(\$) 2020	(\$) 2019
Short-term employee benefits	910,179	910,989
Post-employment benefits (superannuation)	81,124	84,123
Long-term benefits	-	-
Share-based payments	135,930	59,753
	1,127,233	1,054,865

6.4 ENTITY ACQUISITIONS

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

6.4 ENTITY ACQUISITIONS – (Continued)

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity,
- and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill.

If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently re-measured to fair value with changes in fair value recognised in profit or loss.

6.5 FINANCIAL INSTRUMENTS

Fair value of financial instruments

Due to their short-term nature, the carrying amount of the current receivables, current payables and current borrowings is assumed to approximate their fair value. Loans and borrowings are recognised at their fair value of the consideration received, net of transaction costs.

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Financial assets are classified according to their business model and the characteristics of their contractual cash flows and initially measured at fair value adjusted for transaction costs (where applicable).

Subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following four categories:

- Financial assets at amortised cost
- Financial assets at fair value through profit or loss (FVTPL)
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Equity instruments at FVTOCI

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Financial assets at amortised cost

Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of 'hold to collect' contractual cash flows are accounted for at amortised cost using the effective interest method. The Group's trade and most other receivables fall into this category of financial instruments.

6.5 FINANCIAL INSTRUMENTS – (Continued)

Impairment

The Group assessed on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI.

The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. The Expected Credit Loss is based on historical default rates and expected future losses.

Financial risk management objectives

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

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Group through regular reviews of the risks.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Foreign currency risk

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations. This risk is considered low for the Group.

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.

Price risk

The Group is not exposed to any significant price risk.

Interest rate risk

Any movement up or down 100 basis points on the Group's interest rate on borrowings would not have a significant impact.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers.

The Group limits its exposure to credit risk from trade receivables through regular review. At the reporting date there were no significant concentrations of credit risk.

6.5 FINANCIAL INSTRUMENTS – (Continued)

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

TRADE RECEIVABLES Counterparties without external credit ratings*	CONSOLIDATED	
	(\$) 2020	(\$) 2019
Group 1	315,680	320,164
Group 2	14,780,118	21,253,012
Group 3	-	-
TOTAL TRADE RECEIVABLES	15,095,798	21,573,176

*Group 1 – new customers (less than 6 months)

Group 2 – existing customers (more than 6 months) with no defaults in the past

Group 3 – existing customers (more than 6 months) with some defaults in the past. All defaults were fully recovered.

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.

If the Directors anticipate a need to raise additional capital in the next 12 months to meet forecasted operational activities, then the decision on how the Group will raise future capital will depend on market conditions existing at that time.

Financing Facilities Available

The Group maintains a Multi Option Facility with Bankwest which forms part of the cash management for general business purposes. This Bankwest Multi Option Facility includes the following facilities drawn at the company's discretion across any or all of the facilities and totaling \$2,000,000. The facility options are:

- Commercial Advance Facility with interest payable at the rate of BBSY plus a Margin of 2.30% per annum;
- Bank Guarantee Contingent Instrument Facility and
- Business Corporate Transaction Account Facility with interest payable at the rate of the variable Bankwest Business Variable Overdraft Reference Rate, current 7.32% p.a.

The Group also entered into a separate Commercial Advance Facility with Bankwest specifically for Acquisition Funding. Interest is payable at BBSY plus a margin of 3.30% per annum. The loan is repayable on 9 December 2020. As at 30 June 2020, \$600,000 has been drawdown under the Commercial Advance Facility;

Maturities of financial liabilities

The table below analyses the group's financial liabilities into relevant maturity groupings based on their contractual maturities.

The amount disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. The group does not maintain any significant derivative instruments.

6.5 FINANCIAL INSTRUMENTS – (Continued)

Contractual maturities of non-derivative financial liabilities At 30 June 2020	Less than 1 year \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Total contractual cash flows \$	Carrying amount \$
Trade payables	21,172,107	-	-	-	21,172,107	21,172,107
Borrowings	600,000	-	-	-	600,000	594,962
Lease liabilities	724,338	702,408	516,736	199,804	2,143,286	1,968,564
TOTAL	22,496,445	702,408	516,736	199,804	23,915,393	23,735,633

6.6 PARENT ENTITY DISCLOSURES

a) Financial Position

DESCRIPTION	(\$) 2020	(\$) 2019
ASSETS		
Current Assets	31,530	3,950
Non-Current Assets	12,450,423	11,653,108
TOTAL ASSETS	12,481,953	11,657,058
LIABILITIES		
Current Liabilities	2,195	394,294
Non-Current Liabilities	94,905	137,791
TOTAL LIABILITIES	97,100	532,085
EQUITY		
Issued Capital	13,983,308	13,983,308
Reserves	1,435,520	1,037,493
Accumulated Losses	(3,033,975)	(3,895,828)
TOTAL EQUITY	12,384,853	11,124,973

b) Statement of Profit or Loss and other Comprehensive Income

PROFIT FOR THE YEAR	(\$) 2020	(\$) 2019
Profit for the Year after tax	861,853	392,458
Other Comprehensive Income	-	-
TOTAL COMPREHENSIVE INCOME	861,853	392,458

c) Contingent Liabilities of the Parent Company

The Company has no known contingent liabilities or contingent assets.

d) Guarantees

The Company has entered into cross guarantees in relation to the debts of its subsidiaries.

e) Contractual Commitments

At 30 June 2020, the Company had not entered into any contractual commitments for the acquisition of property, plant or equipment.

6.7 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Adoption of AASB 16 and new accounting policy for financial instruments

The Group has adopted all 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 July 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 consolidated 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 the consolidated statement of profit or loss. For classification within the consolidated 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.

The impact on the financial performance and position of the Group from the adoption of AASB 16 is detailed in note 1.4 and the accounting policy detailed in note 3.3.

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2020 reporting year and have not been early adopted by the group. The only significant new accounting standard not yet adopted relates to Interpretation 23 '*Uncertainty over Income Tax Treatments*', however management do not believe this to have a significant impact on the group's financial statements.

6.8 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 consolidated entity for the annual reporting period ended 30 June 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.

Conceptual Framework for Financial Reporting (Conceptual Framework)

The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 January 2020 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the consolidated entity has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the consolidated entity may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the consolidated entity's financial statements.

There are no other significant Australian Accounting Standards and Interpretations that were recently issued or amended but are not yet effective and have not been early adopted by the Group for the year ended 30 June 2020.

6.9 OTHER KEY ESTIMATES

Coronavirus (COVID-19) pandemic

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

6.10 SUBSEQUENT EVENTS

Subsequent to period end 2,877,382 options were cancelled and 800,000 options were granted in two equal tranches with an exercise price of \$0.05 and \$0.07 respectively expiring on 30 June 2023.

The COVID-19 pandemic has developed rapidly in 2020, with a significant number of cases. Measures taken by various governments to contain the virus have affected economic activity. The Company has taken several measures to monitor and mitigate the effects of COVID-19, including safety and health measures for its employees (such as social distancing and working from home).

At this stage, the impact on the business and its results has not been significant. The Company will continue to follow the government policies and advice and will focus on continuing our operations in the best and safest way possible without jeopardising the health of customers and employees.

Other than the above there has been no transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Directors' Declaration

30 June 2020

The Directors of the Company declare that:

- the attached consolidated 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 consolidated financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1.2 to the financial statements;
- the attached consolidated financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the Directors

Date: 18 August 2020	
Matt Sullivan Managing Director	Signature: 

INDEPENDENT AUDITOR'S REPORT

To the members of Cirrus Networks Holdings Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Cirrus Networks Holdings Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, 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 30 June 2020 and of its financial performance for the year ended on that date; 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 (including Independence Standards) (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.

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.

Recoverability of intangible assets

Key audit matter	How the matter was addressed in our audit
Note 3.4 in the financial report discloses the individual intangible assets and the assumptions used by the Group in testing these assets for impairment. This was determined to be a key audit matter as management's assessment of the recoverability of the intangible assets is supported by a value in use cash flow forecast which requires estimates and judgements about future performance. These include judgements and estimates over the expectation of future revenues, anticipated budgeted costs, growth rates expected and the discount rate applied.	Our procedures included, but were not limited to the following: • Evaluating the Group's categorisation of Cash Generating Units ("CGUs") and the allocation of goodwill to the carrying value of CGUs based on our understanding of the Group's business; • Challenging key inputs used in the value in use calculations including the following: - o Assessing the discount rate used by involving internal valuation experts and comparing them to market data and industry research; - o Comparing growth rates with historical data and economic and industry growth forecasts ; - o Assessing the Group's forecast cash flows is consistent with our knowledge of the business, board approved budget, incorporating any potential impact of the COVID-19 pandemic and corroborating our work with external information where possible; and - o Performing sensitivity analysis on the revenue, growth rates, gross profit margins, discount rates and impact of COVID-19. • Assessing the adequacy of the related disclosures in the financial report.

Revenue recognition

Key audit matter	How the matter was addressed in our audit
Revenue recognition was determined to be a key audit matter as this area involves significant judgements and estimates made by management including whether contracts contain multiple performance obligations which should be accounted for separately and determine the most appropriate methods of recognition of revenue for the identified performance obligations. This comprises allocation of consideration to the individual performance obligations based on standalone pricing and whether the performance obligation is satisfied at a point in time or overtime. Refer to Note 2.2 in the financial report for disclosures relating to the Group's revenue accounting policy and significant judgements applied in revenue recognition.	Our procedures included, but were not limited to the following: • Challenging management's assessment of the performance obligations promised to customers within a contract; • Obtaining and reviewing a sample of contracts, considering the terms and conditions, performance obligations of these arrangements, its stand-alone pricing and assessing the accounting treatment under AASB 15 Revenue from Contracts with Customers; • Performing cut-off procedures to ensure that all revenue was captured in the appropriate financial year; • Performing detailed analytical procedures to identify any revenue trends outside our expectations; and • Assessing the adequacy of the related disclosures in the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 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 this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.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 14 to 21 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Cirrus Networks Holdings Limited, for the year ended 30 June 2020, complies with section 300A of the Corporations Act 2001.

Responsibilities

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

BDO Audit (WA) Pty Ltd



Dean Just

Director

Perth, 18 August 2020

Corporate Governance

This statement reports on the Company's key governance framework, principles and practices at the date of this report. These principles and practices are reviewed regularly and revised as appropriate to reflect changes in law and best practice in corporate governance.

ASX PRINCIPLES OF GOOD CORPORATE GOVERNANCE

The Company, as a listed entity, must comply with the Corporations Act 2001 (Cth) ("Corporations Act"), the Australian Securities Exchange Limited ("ASX") Listing Rules ("ASX Listing Rules") and other Australian laws.

To the extent applicable, the Company has adopted the 3rd edition of The Corporate Governance Principles and Recommendations ("Recommendations") as published by the ASX Corporate Governance Council.

ASX Listing Rule 4.10.3 requires ASX listed companies to report on the extent to which they have followed the Recommendations and require the Board to consider carefully the development and adoption of appropriate corporate governance policies and practices founded on the same.

ACCESS TO INFORMATION ON THE WEBSITE

Further information about the Company's corporate governance practices is set out on the Company's website at www.cirrusnetworks.com.au. In accordance with the Recommendations, information published on the Company's website includes charters (for the Board and its Committees), the Company's code of conduct and other policies and procedures relating to the Board and its responsibilities.

COMPLIANCE WITH ASX PRINCIPLES OF GOOD CORPORATE GOVERNANCE

Commensurate with the spirit of the Recommendations, the Company has followed each recommendation where the Board has considered it to be an appropriate benchmark for corporate governance practices, taking into account factors such as the size of the Company and the Board, resources available and the activities of the Company. Where, after due consideration, the Company's corporate governance practices depart from the Recommendations, the Board has offered full disclosure of the nature of, and reason for, the adoption of its own practice.

1. THE BOARD OF DIRECTORS

a) Board composition and expertise

The Board has an expansive range of relevant industry experience, financial and other skills and expertise to meet its objectives.

Election of Board members is substantially the province of the Shareholders in general meetings, with the Company being committed to the following principles:

- The Board is to comprise persons with a blend of skills, experience and attributes appropriate for the Company and its business; and
- The principal criterion for the appointment of new Directors is their ability to add value to the Company and its business.

No formal nomination committee or procedures have been adopted for the identification, appointment and review of the Board's membership, but an informal assessment process, facilitated in consultation with the Company's professional advisors, has been committed to by the Board.

The Board at the end of the Reporting Period comprised of one Managing Director, one Non-Executive Chairman and two other Non-Executive Directors.

Details on each of the director's backgrounds including experience, knowledge and skills and their status as an independent or non-independent director are set out in the directors' report.

b) Board role and responsibilities

The roles and responsibilities of the Board are formalised in the Board Charter. The Board Charter defines in detail the matters that are reserved for the Board and its committees, and those that the Board has delegated to management. The central role of the Board is to oversee and approve the company's strategic direction, to select and appoint a Managing Director ("MD"), to oversee the Company's management and business activities and report to Shareholders.

The goals of the corporate governance processes are to:

- Maintain and increase Shareholder value;
- Ensure a prudential and ethical basis for the Company's conduct and activities; and
- Ensure compliance with the Company's legal and regulatory objectives.

Consistent with these goals, the Board assumes the following responsibilities:

- Developing initiatives for profit and asset growth;
- Reviewing the corporate, commercial and financial performance of the Company on a regular basis;
- Acting on behalf of, and being accountable to, the Shareholders; and
- Identifying business risks and implementing actions to manage those risks and corporate systems to assure quality.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in the Board's discussions on a fully-informed basis.

The Board also recognises its responsibilities to the Company's personnel, the communities and environments within which the Company operates and, where relevant, other stakeholders.

Responsibility for management of the Company's business activities is delegated to the Managing Director who is accountable to the Board.

c) Chairman

The Chairman is responsible for leadership of the Board, for the efficient organisation and conduct of the Board's function and for the promotion of relations between Board members and between Board and management that are open, cordial and conducive to productive co-operation.

Mr Andrew Milner was appointed Non-Executive Chairman of the Company on 2 July 2015.

d) Director independence

The Board has approved a policy on independence of Directors, a copy of which is available in the corporate governance section of the Company's website.

The policy provides that the independence of a Director will be assessed by determining whether the Director is independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

The test of whether a relationship or business is material is based on the nature of the relationship or business and on the circumstances and activities of the director. Materiality is considered from the perspective of the Company, the persons or organisations with which the Director has an affiliation and from the perspective of the Director. Materiality thresholds are considered by the Board from time to time. The Board considers that:

A supplier is material if the Company accounts for more than 5% of the supplier's consolidated gross revenue;

- A substantial shareholder of the Company is someone who holds greater than 5% of the voting capital of the Company; and
- Service on the Board for a period exceeding 10 years is a period which could, or could reasonably be perceived to, materially interfere with a director's ability to act in the best interests of the Company.

In the event that one or more of these thresholds is exceeded, the Board then focuses on whether or not in their view that impacts materially on the independent judgement of the Director.

On appointment, each Director is required to provide information for the Chairman to assess and confirm their independence as part of their consent to act as a Director.

The Chairman has considered the associations of each of the Non-Executive Directors in office at the date and considers that all Non-Executive Directors are considered independent.

e) Directors' retirement and re-election

The Company's Constitution states that at each annual general meeting ("AGM") one of its Directors (excluding the Managing Director and any director appointed to fill a casual vacancy) and any director who has held office for three or more years since their last election must retire. At least one non-executive Director must stand for election at each AGM.

Any Director appointed to fill a casual vacancy since the date of the previous AGM must submit themselves to shareholders for election at the next AGM. Directors who retire as required may offer themselves for re-election by shareholders at the next AGM. Re-appointment of Directors retiring by rotation or filling a casual vacancy is not automatic.

f) Board succession planning

The Board in conjunction with the Remuneration and Nominations Committee reviews the size and composition of the Board and the mix of existing and desired competencies across members from time to time. Criteria considered by the Directors when evaluating prospective candidates are contained in the Board's Charter

g) Board performance evaluation

The Board undertakes ongoing self-assessment and review of performance of the Board, committees and individual Directors annually. The Chairman of the Board is responsible for determining the process for evaluating Board performance. The Chairman's performance is reviewed each year by the other members of the Board.

h) Nominations and appointment of new directors

Recommendations for nomination of new Directors are considered by the Remuneration and Nominations Committee and approved by the Board as a whole.

The Remuneration and Nominations Committee reviews director appointments having regard to the candidate's commercial experience, skills and other qualities. External consultants may be used from time to time to access a wide base of potential Directors. Further information on the Remuneration and Nominations Committee is set out below.

i) Professional advice

Subject to the Chairman's approval (not to be unreasonably withheld), the Directors, at the Company's expense, may obtain independent professional advice on issues arising in the course of their duties.

j) Conflicts of interest

Directors are required to disclose any actual or potential conflict or material personal interests on appointment as a Director and are required to keep these disclosures up to date.

In the event that there is, or may be, a conflict between the personal or other interests of a Director, then the Director with an actual or potential conflict of interest in relation to a matter before the Board does not receive the Board papers relating to that matter. When the matter comes before the Board for discussion, the Director withdraws from the meeting for the period the matter is considered and takes no part in the discussion or decision-making process.

k) Terms of appointment, induction training and continuing education

All new Directors are provided with a formal letter of appointment setting out the key terms and conditions of the appointment, including duties, rights and responsibilities, the time commitment envisaged and the Board's expectations regarding their involvement with committee work. An induction folder is provided to all new Directors. It includes a copy of the Constitution, board and committee charters and key Company policies.

All Directors are expected to maintain the skills required to discharge their obligations to the Company. Directors are encouraged to undertake continuing professional education and where this involves industry seminars and approved education courses, this is paid for by the Company where appropriate. A Directors' Skills Matrix is contained in the Directors' Report.

l) Directors' remuneration

Details of remuneration paid to Directors (Chairman and non-executive) are set out in the remuneration report. The remuneration of an executive Director will be decided by the Board, without the affected executive Director participating in that decision-making process.

The total maximum remuneration of non-executive Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. The current amount has been set at an amount not to exceed \$400,000 per annum.

In addition, a Director may be paid fees or other amounts (i.e. subject to any necessary Shareholder approval, non-cash performance incentives such as options) as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director.

Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The Board will review and approve the remuneration policy to enable the Company to attract and retain executives and Directors who will create value for Shareholders having consideration to the amount considered to be commensurate for a company of its size and level of activity as well as the relevant Directors' time, commitment and responsibility. The Board is also responsible for reviewing any employee incentive and equity-based plans including the appropriateness of performance hurdles and total payments proposed.

Further information on the Remuneration Committee is set out below.

m) Board meetings

The Chairman sets the agenda for each meeting in conjunction with the executive management and the Company Secretary. Any Director may request additional matters be added to the agenda. Members of senior management attend meetings of the Board by invitation and sessions are also held for non-executive Directors to meet without management present.

Copies of Board papers are circulated in advance of the meetings in either electronic or hard copy form. Directors are entitled to request additional information where they consider the information is necessary to support informed decision making.

The Board works to an agenda encompassing periodic reviews of the Company's operating business units, recurring statutory obligations, business approvals, strategy and other responsibilities identified in the Board Charter.

n) Company Secretary

Responsibilities for the secretarial function include providing advice to directors and executives on corporate governance and regulatory matters, developing the Company's corporate governance framework and giving effect to the Board's decisions. All directors have access to advice from the Company Secretary.

The Company Secretary is Catherine Anderson. Ms Anderson is a legal practitioner admitted in Western Australia and Victoria and has over 25 years' experience in both private practice and in house legal roles from working in Melbourne and Perth.

Catherine also has experience in company secretarial roles for ASX listed companies, as well as having been a director of an ASX listed junior explorer. She currently also provides consultancy services to entities wishing to proceed to IPO and listing on ASX and has twice been nominated for the Telstra Business Woman of the Year Award for an online retail business she established.

2. BOARD COMMITTEES

a) Board committees and membership

During the reporting period, the Board had a maximum of five and a minimum of three members but continued to maintain two committees to assist in the discharge of its responsibilities. These are the:

- i. Audit and Risk Management Committee; and
- ii. Remuneration and Nominations Committee.

As at the date of this Report, the Company has 4 Directors.

The charters of all Board committees detailing the roles and duties of each are available in the corporate governance section of the Company's website. All Board committee charters are reviewed at least annually.

During the reporting period and while the relevant person remained a Director of the Company the membership of each Board committee was as follows:

AUDIT AND RISK MANAGEMENT COMMITTEE	REMUNERATION AND NOMINATIONS COMMITTEE
Andrew Milner	Andrew Milner (Chairman)
Daniel Rohr (Chairman)	Daniel Rohr
Paul Everingham	Paul Everingham

Committee members are chosen for the skills, experience and other qualities they bring to the committees. The executive management attends, by invitation, board committee meetings. Any papers considered by the standing committees are available on request to Directors who are not on that committee.

Following each committee meeting, generally at the next Board meeting, the Board is given a verbal update by the Chair of each committee. In addition, minutes of all committee meetings are provided to all Directors. The Company Secretary provides secretariat services for each committee.

Other committees are convened to address major transactions or other matters calling for special attention. This did not occur in this reporting period.

b) Audit and Risk Management Committee

The role of the Audit and Risk Management Committee is to assist the Board to meet its oversight responsibilities in relation to the Company's financial reporting, internal control structure, financial and operational risk management procedures and the internal and external audit function. In doing so, it is the Committee's responsibility to maintain free and open communication between the Committee and the external auditors and the management of the Company.

The duties of this Committee include but are not limited to, monitoring and reviewing any matters of significance affecting financial reporting and compliance, the integrity of the financial reporting of the Company, the Company's internal financial control system and risk management systems and the external audit function.

The Audit and Risk Management Committee is required to have a minimum of three members composed of independent non-executive Directors.

The external auditors and Managing Director attend Committee meetings by invitation.

This Committee met twice during the reporting period.

c) **Remuneration and Nominations Committee**

The role of the Remuneration and Nominations Committee is to assist the Board by reviewing and approving the Company's remuneration policies and practices and the appointment of non-executive Directors to the Board. The Committee's responsibilities include:

- Assessing the necessary and desirable competencies of Board members;
- Reviewing Board succession plans and Board performance;
- Reviewing the Company's remuneration framework, which is used to attract, retain and motivate employees to achieve operational excellence and create value for shareholders;
- Reviewing the remuneration packages and incentive schemes for the Managing Director and senior executives, to establish rewards, which are fair and responsible, having regard to the financial results of the group, individual performance and general remuneration conditions;
- Reviewing the performance and succession planning for the Managing Director and senior executives;
- Reviewing the Company's corporate governance policies and practices.
- The Managing Director attends committee meetings by invitation

This Committee met once during the reporting period.

3. **AUDIT GOVERNANCE AND INDEPENDENCE**

a) **Approach to audit and governance**

The Board is committed to the basic principles that:

- The Company's financial reports represent a true and fair view;
- The Company's accounting practices are comprehensive, relevant and comply with applicable accounting standards and policies; and
- The external auditor is independent and serves shareholder's interests.

b) **External auditor relationship**

The Company's independent external auditor is BDO Audit (WA) Pty Limited ("BDO"). BDO was appointed by shareholders at the 2015 Annual General Meeting in accordance with the Corporations Act.

c) **Attendance of auditor at the AGM**

The Company's external auditor attends the AGM and is available to answer questions from shareholders on:

- The conduct of the audit;
- The preparation and content of the auditor's report;
- The accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- The independence of the auditor in relation to the conduct of the audit.

4. CONTROLLING AND MANAGING RISK

a) Approach to risk management

The Board and senior executives are responsible for overseeing the implementation of the Company's Risk Management Policy.

The Company's approach to risk management is based on the identification, assessment, monitoring and management of material risks embedded in its business and management systems. This framework is based on the Australian Standards for Risk Management.

The Company's management team is responsible for implementation of the Board approved risk management strategy and developing policies, processes and procedures to identify risks and mitigation strategies in the Company's activities.

b) Managing Director and accounting assurance on corporate reporting

The Board receives regular reports about the financial condition and operational results of the Company and its controlled entities.

The Managing Director and the Company accountants provide, at the end of each six-monthly period, a formal statement to the Board confirming that the Company's financial reports present a true and fair view, in all material respects, and the group's financial condition and operational results have been prepared accordance with the relevant accounting standards.

The statement also confirms the integrity of the Company's financial statements and Notes to the Consolidated Financial Statements, is founded on a sound system of risk management and internal compliance and control which implements the policies approved by the Board, and that the Company's risk management and internal compliance and control systems, to the extent they relate to financial reporting, are operating efficiently and effectively in all material respects.

5. PROMOTING ETHICAL AND RESPONSIBLE BEHAVIOUR

a) Codes of conduct

The Board has approved a Code of Conduct which describes the standards of ethical behaviour that the Directors and employees are required to maintain.

Compliance with the Code of Conduct by Directors and employees will also assist the Company in effectively managing its operating risks and meeting its legal and compliance obligations, as well as enhancing the Company's corporate reputation.

The Code of Conduct describes requirements on matters such as confidentiality, conflicts of interest, sound employment practices, compliance with laws and regulations and the protection and proper use of the Company's assets.

The Code of Conduct can be viewed on the Company's website.

b) Share trading policy

The Company's Securities Trading Policy ("Policy") is binding on all Directors and employees. The Policy provides a summary of the law on insider trading and other relevant laws, sets out the restrictions on dealing in securities by people who work for, or are associated with, the Company and is intended to assist in maintaining market confidence in the integrity of dealings in the Company's securities.

The Policy stipulates that the only appropriate time for a Director or employee to deal in the Company's securities is when he or she is not in possession of 'price sensitive information' that is not generally available to the share market.

A Director wishing to deal in the Company's securities may only do so after first having advised the Chairman of their intention to do so. A senior executive wishing to deal must first notify the Managing Director. Confirmation of any dealing must also be given by the director or senior executive within two business days after the dealing and advised to the Company Secretary.

In the case of other employees, contractors, consultants and advisers, there is no notification requirement.

Directors and senior executives' dealings in the Company's securities are also subject to specified closed periods, which are set out in the Policy or as otherwise determined by the Board from time to time.

The Policy can be viewed on the Company's website.

6. CORPORATE RESPONSIBILITY AND SUSTAINABILITY

The Company aims to produce positive outcomes for all stakeholders in managing its business and to maximise financial, social and environmental value from its activities.

In practice, this means having a commitment to transparency, fair dealing, responsible treatment of employees and customers and positive links into the community.

Sustainable and responsible business practices within the Company are viewed as an important long-term driver of performance and Shareholder value. Through such practices, the Company seeks to reduce operational and reputation risk and enhance operational efficiency while contributing to a more sustainable society.

The Company accepts that the responsibilities on the Board and management, which flow from this approach, go beyond strict legal and financial obligations. The Board seek to take a practical and broad view of directors' fiduciary duties, in line with stakeholders' expectations.

7. CONTINUOUS DISCLOSURE

The Company is committed to maintaining a level of disclosure that meets the highest standards and provides all investors with timely and equal access to information.

The Company's Continuous Disclosure Policy reinforces the Company's commitment to ASX continuous disclosure requirements and outlines management's accountabilities and the processes to be followed for ensuring compliance. The policy also describes the Company's guiding principles for market communications.

The Company's Continuous Disclosure Policy can be viewed on the Company's website.

8. SHAREHOLDER COMMUNICATIONS AND PARTICIPATION

The Company is committed to giving all Shareholders comprehensive, timely and equal access to information about its activities so that they can make informed decisions. Similarly, prospective new investors are entitled to be able to make informed investment decisions when considering the purchase of the Company's shares.

A wide range of communication approaches are employed including direct communications with Shareholders and presentations to Shareholders at the company's Annual General Meeting. Publication of all relevant Company information, including the Company's Annual Report is in the "Investors" section of the Company's website. Shareholders have the opportunity to receive information in print or electronic format.

The Company strive to communicate effectively with Shareholders and give them ready access to balanced and understandable information about the Company. The way it does this includes:

- Ensuring that financial reports are prepared in accordance with applicable laws;
- Ensuring the disclosure of full and timely information about the Company's activities in accordance with the continuous disclosure principles of the ASX Listing Rules and the Corporations Act 2001.
- The Chairman and Managing Director being present at the Company's Annual General Meeting;
- Placing all ASX announcements (including financial reports) on the Company's website as soon as practicable following release; and
- Ensuring that reports, notices of meeting and other Shareholder communications are prepared in a clear and concise manner.

9. DIVERSITY POLICY

The Company has in place a Diversity Policy.

The Board is committed to workplace diversity and is responsible for developing measurable objectives and strategies to meet the Objectives of the Diversity Policy (Measurable Objectives) and monitoring the progress of the Measurable Objectives through the monitoring, evaluation and reporting mechanisms listed below.

The Board will conduct all Board appointment processes in a manner that promotes gender diversity, including establishing a structured approach for identifying a pool of candidates, using external experts where necessary.

The Company's diversity strategies include:

- a) Recruiting from a diverse pool of candidates for all positions, including senior management and the various subsidiary company boards;
- b) Reviewing succession plans to ensure an appropriate focus on diversity;
- c) Identifying specific factors to take account of in recruitment and selection processes to encourage diversity;
- d) Developing programs to develop a broader pool of skilled and experienced senior management and board candidates, including, workplace development programs, mentoring programs and targeted training and development; and
- e) Developing a culture which takes account of domestic responsibilities of employees.

As at 30 June 2020, the Board consisted of 4 male members and no female members. The Company Secretary is female.

As at 30 June 2020, the Company has 203 employees of which 164 are male (FY19:115) and 39 are female (FY19:24)

ASX RECOMMENDATION AND PRINCIPLES COMPLIANCE TABLE

Set out below is a table describing the various ASX Principles and statements as to the Company's compliance or otherwise with them.

PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT		
Recommendation 1.1 A listed entity should have and disclose a charter which sets out the respective roles and responsibilities of the board, the chair and management; and includes a description of those matters expressly reserved to the board and those delegated to management.	YES	The Company has adopted a Board Charter. The Board Charter sets out the specific responsibilities of the Board, requirements as to the Boards composition, the roles and responsibilities of the Chairman and Company Secretary, the establishment, operation and management of Board Committees, Directors access to company records and information, details of the Board's relationship with management and details of the Board's disclosure policy. The Managing Director (as a delegate of the board) is responsible for the effective leadership and day to day operations and administration of the Company. A copy of the Company's Board Charter is available on the Company's website.
Recommendation 1.2 A listed entity should: (a) Undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and - Provide security holders with all material information relevant to a decision on whether or not to elect or re-elect a director.	YES	(a) The Company undertakes checks on any person who is being considered as a director. These checks may include character, experience, education and financial history and background. (b) All material information relevant to a decision on whether or not to elect or re-elect a Director will be provided to security holders in a Notice of Meeting pursuant to which the resolution to elect or re-elect a Director will be voted on.
Recommendation 1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	YES	Each senior executive and executive director has a formal employment contract and the non-executive directors have a letter of appointment.
Recommendation 1.4 The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	YES	The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board. The Company Secretary has primary responsibility for ensuring that Board processes and procedures run efficiently and effectively.

Recommendation 1.5 A listed entity should: (a) Have a diversity policy which includes requirements for the board: (i) To set measurable objectives for achieving gender diversity; and (ii) To assess annually both the objectives and the entity's progress in achieving them; (b) Disclose that policy or a summary of it; and (c) Disclose as at the end of each reporting period: (i) The measurable objectives for achieving gender diversity set by the board in accordance with the entity's diversity policy and its progress towards achieving them; and (ii) Either: (A) The respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (B) The entity's "Gender Equality Indicators", as defined in the Workplace Gender Equality Act 2012.	YES	(a) The Company has adopted a Diversity Policy (i) The Diversity Policy provides a framework for the Company to achieve a list of measurable objectives that encompass gender, age, ethnicity and cultural equality. (ii) The Diversity Policy provides for the monitoring and evaluation of the scope and currency of the Diversity Policy. The Company is responsible for implementing, monitoring and reporting on the measurable objectives. (b) Information on the Company's Diversity Policy is set out in the Annual Report. (i) The measurable objectives set by the board are included in the Annual Report. In addition, the board will review progress against the objectives in its annual performance assessment. The Board includes in the Annual Report each year the measurable objectives, progress against the objectives, and the proportion of male and female employees in the whole organisation, at senior management level and at Board Level.
Recommendation 1.6 A listed entity should: (a) Have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) Disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	YES	The Chairman is responsible for evaluating the performance of the Board, its committees and individual directors. This is generally done through a meeting with the Chair. The review is currently informal but is based on a review of goals for the Board and individual Directors. Generally, the goals for the Board are based on corporate requirements and any areas for improvement that may be identified. The Chairman will provide each Director with confidential feedback on his or her performance.
Recommendation 1.7 A listed entity should: (a) Have and disclose a process for periodically evaluating the performance of its senior executives; and (b) Disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	YES	(a) The Remuneration Committee is responsible for evaluating the performance of senior executives. The Committee is to arrange an annual performance evaluation of the senior executives. (b) The Remuneration Committee is required to disclose whether or not performance evaluations were conducted during the relevant reporting period. Details of the performance evaluations conducted will be provided in the Company's Annual Report.

PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE		
Recommendation 2.1 The board of a listed entity should: (a) Have a nomination committee which: (i) Has at least three members, a majority of whom are independent directors; and (ii) Is chaired by an independent director, and disclose: (iii) The charter of the committee; (iv) The members of the committee; and (v) As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) If it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, experience, independence and knowledge of the entity to enable it to discharge its duties and responsibilities effectively.	YES	A nomination committee has been established and the Company has a Remuneration and Nomination Committee Charter which is available on the Company's website. This Committee comprises a minimum of 3 non-executive Directors. During the reporting period, this Committee met once.
Recommendation 2.2 A listed entity should have and disclose a board skill matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	YES	The Board reviews capabilities, technical skills and personal attributes of its directors. It will normally review the Board's composition against those attributes and recommend any changes in Board composition that may be required. An essential component of this will be the time availability of Directors. Information about the skills and expertise of all Board members is contained in the Annual Report. The Board believes that it has a diverse mix of experience and skills which will lead to a better outcome for the Company and the Shareholders, and the Board is comfortable with the skills matrix represented by the current Board.
Recommendation 2.3 A listed entity should disclose: (a) The names of the directors considered by the board to be independent directors; (b) If a director has an interest, position, association or relationship of the type described in Box 2.3 of the ASX Corporate Governance Principles and Recommendation (3rd Edition), but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in	YES	(a) Disclosure of the names of Directors, considered by the board to be independent is provided in the Annual Report. (b) Directors' interests, positions, associations and relationships are regularly assessed by the Board. Details of the Directors interests, positions associations and relationships are provided in the Annual Report. (c) The Board Charter provides for the determination of the Directors' terms and requires the length of service of each Director to be disclosed. The length of service of each Director is provided in the Annual Report.

question and an explanation of why the board is of that opinion; and (c) The length of service of each director		
Recommendation 2.4 A majority of the board of a listed entity should be independent directors.	YES	The Board Charter requires that an appropriate balance between independent and non-independent directors is represented on the Board. Details of each Director's independence are provided in the Annual Report.
Recommendation 2.5 The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	YES	This is complied with as at the date of this Report, with Andrew Milner the non-executive, independent Chairman from 2 July 2015.
Recommendation 2.6 A listed entity should have a program for inducting new directors and providing appropriate professional development opportunities for continuing directors to develop and maintain the skills and knowledge needed to perform their role as a director effectively.	YES	All new Directors are provided with a copy of all Company Policies and Charters. It is also the responsibility of the Board to procure appropriate professional development opportunities for Directors. The Remuneration and Nominations Committee is responsible for the approval and review of induction and continuing professional development programs and procedures for Directors to ensure that they can effectively discharge their responsibilities.

PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY		
Recommendation 3.1 A listed entity should: (a) Have a code of conduct for its directors, senior executives and employees; and (b) Disclose that code or a summary of it.	YES	(a) The Company's Code of Conduct applies to the Company's Directors, senior executives and employees. (b) The Company's Code of Conduct is available on the Company's website.

PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING		
Recommendation 4.1 The board of a listed entity should: (a) Have an audit committee which: (i) Has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (ii) Is chaired by an independent director, who is not the chair of the board, and disclose: (iii) The charter of the committee; (iv) The relevant qualifications and experience of the members of the committee; and (v) In relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) If it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its financial reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	YES	(a) The Audit and Risk Committee Charter states that: (i) The Audit and Risk Committee shall comprise the Company's non-executive directors; (ii) The Audit and Risk Committee Charter is available on the Company website; (iii) The Audit and Risk Committee Charter requires the Committee in relation to the reporting period to disclose the number of times that the Committee met throughout the period, and the individual attendances of the members at those Committee meetings. Details of the Committee meetings will be provided in the Company's Annual Report. This Committee met twice during the reporting period.
Recommendation 4.2 The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	YES	Before the Board approves the entity's financial statements for a financial period, the CEO and CFO declares that in their opinion the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.
Recommendation 4.3 A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	YES	The Audit and Risk Committee Charter provides that the Committee must ensure the Company's external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE		
Recommendation 5.1 A listed entity should: (a) Have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) Disclose that policy or a summary of it.	YES	(a) The Company has a Continuous Disclosure Policy. (b) This Policy is available on the Company's website, as is all information provided to ASX for release to the market.

PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITY HOLDERS		
Recommendation 6.1 A listed entity should provide information about itself and its governance to investors via its website.	YES	Information about the Company and its governance is available in its Corporate Governance Policies which can be found on the Company's website. A link is available on the Company's website to the Company's announcements page on the ASX website, meaning that all the Company's ASX announcements are immediately accessible through the Company's website.
Recommendation 6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	YES	The Company aims to promote and facilitate effective two-way communication with investors through the availability of the MD and the Company Secretary to respond directly to shareholder queries. A link to directly email the Company Secretary is available on the Company's website, as well as the provision of a general email address investors@cirrusnetworks.com.au
Recommendation 6.3 A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	YES	Shareholders are encouraged to participate at all EGMs and AGMs of the Company. Upon the dispatch of any notice of meeting to Shareholders, the Company Secretary shall send out material with that notice of meeting stating that all Shareholders are encouraged to participate at the meeting. Shareholders who are not able to attend at meetings and vote in person are able to utilise the share registry's electronic voting platform, either online or by downloading the relevant phone Application. The introduction of this facility has resulted in a marked increase in the number of Shareholders voting.
Recommendation 6.4 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	YES	The Company's share registry provides (through its website) the ability to email the share registry and to receive documents by email from the share registry. Shareholders queries should be referred to the Company Secretary at first instance. Contact details are provided on the Company's website.

PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
PRINCIPLE 7: RECOGNISE AND MANAGE RISK		
Recommendation 7.1 The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the process it employs for overseeing the entity's risk management framework.	YES	The Board has adopted an Audit and Risk Committee Charter and a Financial Risk Management Policy. These are available on the Company's website. There is no other risk management committee and this role is undertaken by the Board, however, the overall basis for risk management is to provide recommendations about: 1. Assessing the internal processes for determining and managing key risk areas, particularly: • Non-compliance with laws, regulations, standards and best practice guidelines, including environmental and industrial relations laws; • Litigation and claims; and • Relevant business risks other than those that are dealt with by other specific Board Committees. 2. Ensuring that the Company has an effective risk management system and that major risks are reported at least annually to the Board. 3. Receiving from management reports on all suspected and actual frauds, thefts and breaches of laws. 4. Evaluating the process, the Company has in place for assessing and continuously improving internal controls, particularly those related to areas of significant risk. 5. Assessing whether management has controls in place for unusual types of transactions and/or any potential transactions that may carry more than an acceptable degree of risk. 6. Meeting periodically with key management, internal and external auditors and compliance staff to understand and discuss the Company's control environment.
Recommendation 7.2 The board or a committee of the board should: (a) Review the entity's risk management framework with management at least annually to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks the entity faces and to ensure that they remain within the risk appetite set by the board; and (b) Disclose in relation to each reporting period, whether such a review has taken place. Recommendation 6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	YES	The Board meets on a regular basis to discuss the Company's operating activities. As part of this, all risks are considered including but not limited to strategic, operational, legal, reputation and financial risks. This is an on-going process rather than an annual formal review. As referred to above, the Company has in place a Financial Risk Management Policy.

Recommendation 7.3 A listed entity should disclose: (a) If it has an internal audit function, how the function is structured and what role it performs; or (b) If it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	YES	The Company does not have a formal internal audit function but reviews its risk management and internal control processes on a regular basis and has in place a Financial Risk Management Policy as referred to above.
Recommendation 7.4 A listed entity should disclose whether, and if so how, it has regard to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	YES	The Company is of the view that its operations do not create a material exposure to economic and social sustainability risks. With respect to past minerals exploration activities and the environment, the Company has complied with all rehabilitation requirements of the relevant legislation.

PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY		
Recommendation 8.1 The board of a listed entity should: (a) Have a remuneration committee which: (i) Has at least three members, a majority of whom are independent directors; and (ii) Is chaired by an independent director, and disclose: (iii) The charter of the committee; (iv) The members of the committee; and (v) As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) If it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	YES	(a) The Remuneration and Nomination Committee Charter outlines the roles and responsibilities of that Committee and provides that the Committee comprises the non-executive members of the Board but excludes the relevant member of the Board when their performance is under review; (b) The Remuneration and Nomination Committee Charter is available on the Company's website. (c) The Remuneration and Nomination Committee discloses the number of times that the Committee meets throughout the period, and the individual attendances of the members at those Committee meetings. Details of the Committee meetings will be provided in the Company's Annual Report. During the reporting period this Committee met once.
Recommendation 8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives and ensure that the different roles and responsibilities of non-executive directors compared to executive	YES	The Company provides disclosure of all Directors' and executives' remuneration in its Annual Report. Non-executive Directors are remunerated at a fixed fee to take account of their time, commitment and responsibilities. Remuneration for non-executive Directors is not linked to the performance of the Company. There are no documented agreements providing for termination or retirement benefits for non-executive Directors. Any

directors and other senior executives are reflected in the level and composition of their remuneration.		long-term performance incentives may include options or shares granted at the discretion of the Board and subject to obtaining the relevant Shareholder approvals. Executive Directors and senior executives are offered a competitive level of base pay at market rates which are reviewed annually to ensure market competitiveness. Long term performance incentives may include performance and sales bonus payments, shares and/or options granted at the discretion of the Board and subject to obtaining relevant Shareholder approvals (if required).
Recommendation 8.3 A listed entity which has an equity-based remuneration scheme should: (a) Have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) Disclose that policy or a summary of it.	N/A	The Company does not have an equity based remuneration scheme which is affected by this recommendation although it has previously obtained Shareholder approval to the issue of shares to directors in lieu of fees; and for the issue of bonus options to Directors. The Company has in place a “Directors and Employees Share Option Plan”, under which both employees and Directors may be offered options (subject to Shareholder approval in the case of any officer of the Company).

Shareholder Information

DISTRIBUTION OF SHAREHOLDERS

At the date of this report there were 1,501 holders of 883,384,099 ordinary fully paid shares in the Company. Analysis of numbers of equity holders by size of holding:

NUMBER OF SHARES HELD	HOLDERS	UNITS
1 – 1,000	55	7,022
1,001 – 5,000	134	468,063
5,001 – 10,000	74	599,019
10,001 – 100,000	637	28,023,256
100,001 and over	601	854,286,739
TOTAL	1,501	883,384,099

The number of shareholders holding less than a marketable parcel of 17,241 shares: 365

SUBSTANTIAL SHAREHOLDERS

At the date of this report the substantial shareholders in the Company are the following:

NAME OF SHAREHOLDER	NUMBER HELD	PERCENTAGE
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	97,097,122	10.99

SUBSTANTIAL OPTION HOLDERS

At the date of this report the substantial option holders in the Company are set out below:

NAME OF OPTION HOLDER	NUMBER HELD	PERCENTAGE
JARABA AVENUE PTY LIMITED <SULLIVAN FAMILY A/C>	20,000,000	12.48
MR GLENN MCATEE + MS HEIDI MCATEE <THE MCATEE FAMILY A/C>	15,000,000	9.36
MR CHRISTOPHER MCLAUGHLIN	10,344,118	6.46
TOTAL	45,344,118	28.30

VOTING RIGHTS

The voting rights attaching to the ordinary shares are in accordance with the Company's Constitution being that:

- Each Shareholder entitled to vote may vote in person or by proxy, attorney or corporate representative;
- On a show of hands, every person present who is a Shareholder or a proxy, attorney or corporate representative of a Shareholder has one vote; and
- On a poll, every person present who is a Shareholder or a proxy, attorney or corporate representative of a Shareholder shall, in respect of each fully paid share held by them, or in respect of which they are appointed a proxy, attorney or corporate representative, have one vote for the share, but in respect of partly paid shares, shall, have such number of votes as bears the proportion which the paid amount (not credited) is of the total amounts paid and payable (excluding amounts credited).

There are no voting rights attached to options in the Company. Voting rights will be attached to the unissued ordinary shares when options have been exercised.

STOCK EXCHANGE LISTING

Cirrus Networks Holdings Limited securities are listed on the Australian Securities Exchange ('ASX'). The Company's ASX code is CNW. Prior to the re-admission to ASX as Cirrus on 8 July 2015, the Company was named Liberty Resources Limited and its ASX code was LBY. The Company has no listed options on the ASX.

Directors' interests in share capital are disclosed in the Directors' Report.

There is currently no on-market buy-back in place.

EQUITY SECURITY HOLDERS

Top 20 ordinary shareholders at the date of this report

NO.	NAME OF ORDINARY SHAREHOLDER	NUMBER OF SHARES HELD	PERCENTAGE OF SHARES HELD
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	97,097,122	10.99
2	JARABA AVENUE PTY LTD <SULLIVAN FAMILY A/C>	48,273,387	5.46
3	ALCOTRACK PTY LTD <MILNER INVESTMENT A/C>	44,323,387	5.02
4	WEIR SUPER FUND PTY LTD <WEIR FAMILY SUPER FUND A/C>	43,851,070	4.96
5	MR MATTHEW GREEN & MRS NATALIE GREEN <GREEN FUTURE FUND A/C>	28,448,722	3.22
6	MR MARK NEIL BLACKBURNE OLIVER <THE OLIVER FAMILY A/C>	22,000,000	2.49
7	MR PAUL ALEXANDER EVERINGHAM & MRS ELISSA JEAN EVERINGHAM <EVERINGHAM S/F A/C>	17,880,000	2.02
8	MR GRAHAME GILSON <THE GILSON FAMILY A/C>	17,466,478	1.98
9	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	14,195,195	1.61
10	VERTEC IT SOLUTIONS PTY LTD <THE BLOOMFIELD FAMILY A/C>	13,672,572	1.55
11	MR CHRISTOPHER STEVENS	11,779,477	1.33
12	CH GLOBAL PTY LTD <ABC INVESTMENT A/C>	10,000,000	1.13
13	ZERRIN INVESTMENTS PTY LTD	9,500,000	1.08
14	MR GAVIN BRADLEY LEHMANN & MRS MICHELLE YVETTE LEHMANN <THE GAMA SUPER FUND A/C>	8,340,066	0.94
15	MR MATTHEW CHARLES MILNER	8,227,001	0.93
16	ALET INVESTMENTS PTY LTD	8,000,000	0.91
17	MR DIGBY NEIL GILMOUR <STELLA & MOET INVEST A/C>	8,000,000	0.91
18	BEARNICK PTY LTD <DR FAMILY A/C>	7,678,863	0.87
19	MR CARRICK DURRANT RYAN <CD & RV RYAN FAMILY NO2 A/C>	7,000,000	0.79
20	KAMALA HOLDINGS PTY LTD <THE KAMALA 1994 S/F A/C>	7,000,000	0.79
TOTALS – TOP 20		432,733,340	48.99
TOTALS – REMAINING SHAREHOLDERS		450,650,759	51.01

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS	REGISTER OF SECURITIES
Level 28, 108 St Georges Terrance Perth WA 6000 Telephone: (08) 6180 4222	The register of securities is held at: Automic Group Level 5, 126 Phillip Street Sydney NSW 2000 Telephone: +61 8 1300 288 664