Cirrus Networks

APPENDIX 4E

30 June 2019

Cirrus Networks Holdings Ltd (CNW)

ABN: 98 103 348 947

CURRENT PERIOD
1 July 2018 to 30 June 2019

PREVIOUS CORRESPONDING PERIODS
1 July 2017 to 30 June 2018

Contents

1. Results for announcement to the market

Revenues from ordinary activities	*up*	16%	*to*	$88,038,326
Profit / (Loss) from ordinary activities after tax attributable to the owners of Cirrus Networks Holdings Ltd	*down*	73%	*to*	$776,279
Profit / (Loss) for the year attributable to the owners of Cirrus Networks Holdings Ltd	*down*	73%	*to*	$776,279

REVIEW OF OPERATIONS

Another excellent year for the Company in FY19 with revenues from ordinary activities up 16% to $88m and the preferred earnings measure of EBTIDA (pre options) up 338% to $1.9m. The statutory result for the consolidated entity after providing for income tax amounted to a net profit of $776k (30 June 2018: $2.83m). However, this result included a number of one-off and non-cash expenses including:

- non cash expensing of share-based options $303k;
- redundancy and restructure costs $268k; and
- amortisation of intangible and depreciation $663k

After adjusting for these transactions and non-cash expenses (per table below) the entity had an EBITDA (pre options) of $1,918k (30 June 2018: $438k profit).

	FY2017	FY2018	FY2019
NORMALISED EBITDA	**$861,155**	**$1,033,825**	**$2,187,485**
Adjustments			
Investment in Canberra *(Pre CC Acquisition)*	($1,138,413)	($272,003)	
Redundancy Cost		($165,345)	($267,510)
Voluntary Escrow Payment		($50,000)	
Acquisition Costs for due diligence	($103,784)	($97,943)	
Foreign Exchange Impact	($45,977)	($10,872)	($2,058)
EBITDA (PRE-OPTIONS)	**($427,019)**	**$437,662**	**$1,917,917**
Interest *(Net)*		$19,209	($175,404)
R&D Tax Offset	$1,188,686	$356,759	
Amortisation & Depreciation	($130,164)	($466,215)	($663,196)
Share based compensation - options	($230,927)	($226,046)	($303,038)
NET PROFIT/(LOSS) BEFORE DTA RECOGNITION	**$400,576**	**$121,369**	**$776,279**
Deferred tax asset recognition		$2,709,922	
STATUTORY NET PROFIT/(LOSS)	**$400,576**	**$2,831,291**	**$776,279**

At 30 June 2019, the Group had a cash balance of $5.01m. Cirrus has a positive $3.61m net cash (2018: positive $4.43m) with the only borrowing being $1.4m of acquisition funding drawn down for the payment of the Correct Communications acquisition.

2. Net tangible assets per ordinary share

	REPORTING PERIOD	PREVIOUS PERIOD
Net tangible assets per ordinary security	$0.003	$0.001

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

Gain of control of entities during the period – Nil.

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

Loss of control of entities during the period – Nil.

5. Dividends

Current Period

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

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 Ltd for the year ended 30 June 2019 is attached.

9. Signed

	Date: 22 August 2019
Matt Sullivan Managing Director	**Signature:** 

Cirrus Networks

ANNUAL REPORT

30 June 2019

Cirrus Networks Holdings Ltd (CNW)

ABN: 98 103 348 947

cirrus

Corporate Directory

CURRENT DIRECTORS

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

COMPANY SECRETARY

Ms Catherine Anderson
Telephone: + 61 8 6180 4222

SHARE REGISTRY*

Computershare Registry Services Pty Ltd
Level 2, 45 St Georges Terrace
Perth WA 6000
Telephone: +61 8 9323 2000
Facsimile: +61 8 9323 2033

AUDITOR

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

ASX Code: CNW

REGISTERED OFFICE

Arcadia Chambers
Level 2, 1 Roydhouse Street
Subiaco WA 6008
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.*

Contents

Letter from the Chairman

Dear Shareholder

Welcome to the Cirrus Networks Limited 2019 Annual Report. Your Company reported a record EBITDA of $1.9m (pre option expense) for the period, as both consolidated revenue and gross margins continue their positive trajectory.

As the Company nears the end of its 5 year strategic plan, management's focus moves from revenue growth to gross margin expansion and improvement in quality of earnings. Approaching $100m in revenue, the business is starting to benefit from rapidly accelerating economies of scale; blended gross margins across Professional & Managed Services improved from 22% (FY18) to 29%, driving this year's overall gross margin from 15.4% to 18%.

Growth in FY19 was entirely organic, with no acquisitions completed during the period – a positive indicator of the growing sales and delivery capability in the Services portfolio, but more importantly a validation of the culture that is nurturing this transformation as we seek long term competitive advantage.

The rapid growth of Professional & Managed Services at both the revenue and gross margin line (GM: $4.1m in FY18 to $7.3m) has improved quality of earnings substantially, with all Services contributing 46% of total gross margin in FY19 – up from 27% in FY17 and 35% in FY18.

Further growth in Services revenue with a continued focus on containing overheads is expected to drive improving EBITDA in FY20.

Management's disciplined approach to vendor selection, service capability and customer satisfaction ensures the business remains focused on the strategic goal of becoming one of Australia's top ranked Managed & Professional Services organizations.

On behalf of the Board and Management I thank you for your continued support and look forward to a rewarding 2020.

Andrew Milner

Chairman

Directors' Report – 30 June 2019

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Consolidated Entity' or 'Group') consisting of Cirrus Networks Holdings Ltd (referred to hereafter as the 'Company' or 'Parent Entity') and the entities it controlled at the end of, or during, the year ended 30 June 2019.

DIRECTORS – TERMS OF OFFICE, SKILLS AND EXPERIENCE

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

- **Andrew Milner** -Non-Executive Chairman
- **Daniel Rohr** – Non-Executive Director
- **Matthew Sullivan** – Managing Director
- **Paul Everingham** – Non-Executive Director *(appointed 23 July 2018)*
- **Patrick Glovac** – Non-Executive Director *(resigned 23 July 2018)*

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 Ltd 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 Ltd 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 Ltd and has recently 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 and start-up 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.

PATRICK GLOVAC (Former Non-Executive Director)

Appointed 2 July 2015 and Resigned 23 July 2018

Mr Glovac holds a Bachelor of Commerce majoring in Finance, Banking, Management and also holds a Diploma of Management.

In 2013 Mr Glovac co-founded GTT Ventures Pty Ltd, a boutique corporate advisory firm, specializing in the resource and technology sector. GTT has funded numerous listed and private companies since its inception across multiple markets including Australia, USA and the United Kingdom. Previously he worked as an investment advisor for Bell Potter Securities Limited since 2013, focusing on high net-worth clients and corporate advisory services.

During the previous 3 years, Mr Glovac has held other directorship positions including the role of managing director of ASX listed Applabs Technologies Limited and non-executive director of ASX listed GB Energy Limited and Sovereign Gold Company Limited.

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
Matthew Sullivan	48,273,387	20,000,000
Paul Everingham	7,880,000	-

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 25 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 transition of the Company from Liberty to Cirrus, including its re-admission to ASX.

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 for an online retail business she established in 2007.

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	12	12	2	2	1	1
Daniel Rohr	12	12	2	2	1	1
Matthew Sullivan	11	12	-	-	-	-
Paul Everingham	10	11	2	2	1	1
Patrick Glovac	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 Consolidated Entity 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:

	FY2017	FY2018	FY2019
NORMALISED EBITDA	**$861,155**	**$1,033,825**	**$2,187,485**
Adjustments			
Investment in Canberra *(Pre CC Acquisition)*	($1,138,413)	($272,003)	
Redundancy Cost		($165,345)	($267,510)
Voluntary Escrow Payment		($50,000)	
Acquisition Costs for due diligence	($103,784)	($97,943)	
Foreign Exchange Impact	($45,977)	($10,872)	($2,058)
EBITDA (PRE-OPTIONS)	**($427,019)**	**$437,662**	**$1,917,917**
Interest *(Net)*		$19,209	($175,404)
R&D Tax Offset	$1,188,686	$356,759	
Amortisation & Depreciation	($130,164)	($466,215)	($663,196)
Share based compensation - options	($230,927)	($226,046)	($303,038)
NET PROFIT/(LOSS) BEFORE DTA RECOGNITION	**$400,576**	**$121,369**	**$776,279**
Deferred tax asset recognition		$2,709,922	
STATUTORY NET PROFIT/(LOSS)	**$400,576**	**$2,831,291**	**$776,279**

At 30 June 2019, the Group had a cash balance of $5.01m. Cirrus has a positive $3.61m net cash (2018: positive $4.43m) with the only borrowing being $1.4m of acquisition funding drawn down for payment of the Correct Communications Pty Ltd acquisition.

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	VESTING
	2019	2018			
1	2,062,500	2,062,500	$0.035	30-06-22	Vested
2	2,062,500	2,062,500	$0.045	30-06-22	Vests 09-07-20
3	7,000,000	7,000,000	$0.080	31-12-19	Vested
4	6,287,500	9,612,500	$0.035	13-11-20	Vested
5	6,287,500	9,612,500	$0.045	13-11-20	Vested
6	5,612,500	5,837,500	$0.035	30-06-21	Vested
7	5,612,500	5,837,500	$0.045	30-06-21	Vests 20-07-19
8	5,000,000	5,000,000	$0.045	5 years from vesting date	When EBIT > $2M
9	5,000,000	5,000,000	$0.060	5 years from vesting date	When EBIT > $4M
10	5,000,000	5,000,000	$0.045	18-04-23	Vested
11	5,000,000	5,000,000	$0.060	18-10-24	Vests 18-10-19
12	1,762,500	3,000,000	$0.035	30-06-22	Vested
13	1,762,500	3,000,000	$0.045	30-06-22	Vested
14	7,500,000	7,500,000	$0.060	11-10-23	Vests 11-10-22
15	7,500,000	7,500,000	$0.045	11-10-21	Vests 11-10-20
16	4,250,000	4,250,000	$0.035	22-11-21	Vested
17	4,250,000	4,250,000	$0.045	22-11-21	Vested
18	1,500,000	-	$0.035	30-06-22	Vests 28-03-20
19	1,500,000	-	$0.045	30-06-22	Vests 28-09-21
TOTAL	**84,950,000**	**111,775,000**			

REMUNERATION REPORT (Audited)

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, 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 2018 – 30 June 2019 were the Directors of the Company:

- **Andrew Milner** – Non-Executive Chairman
- **Daniel Rohr** - Non-Executive Director
- **Matthew Sullivan** – Managing Director
- **Paul Everingham** – Non-Executive Director *(appointed 23 July 2018)*
- **Patrick Glovac** – Former Non-Executive Director *(resigned 23 July 2018)*

The other Key Management Personnel were:

- **Christopher McLaughlin** – Chief Operating Officer
- **Matthew Green** – Chief Financial 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 Consolidated Entity'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 consolidated entity 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 consolidated entity.

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. Non-Executive Directors have not received share options or other incentives as Director 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 20 November 2018, where the shareholders approved a maximum annual aggregate remuneration of $250,000 for Director fees.

Executive Remuneration

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

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- short-term performance incentives
- 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 consolidated entity 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 2019, 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. Amended on 1 August 2018.
- Termination notice period: three months.
- Annual Executive Director salary of $280,000 (2018 - $265,000)
- STI At-Risk of $120,000 based on the following KPI's:

FY19	%	FY18	%
NPAT	70	Underlying Profit	Indexed
Margin	10	Margin	25
Annuity Growth	5	Annuity Growth	30
Cost Control	5	Delivery Efficiency	15
Customer Satisfaction	5	Customer Satisfaction	15
Employee Satisfaction	5	Employee Satisfaction	15

In addition, in October 2016 the general meeting of shareholders approved Matthew Sullivan to be issued with the following options:

Options	TIER 1	TIER 2	TIER 3	TIER 4
Grant date	18 Oct 2016	18 Oct 2016	18 Oct 2016	18 Oct 2016
Expiry date	5 years from vesting	5 years from vesting	18 April 2023	18 Oct 2024
Share price at grant date	$0.028	$0.028	$0.028	$0.028
Exercise price	$0.045	$0.060	$0.045	$0.060
Vesting Conditions	When Cirrus achieves $2 million in EBIT	When Cirrus achieves $4 million in EBIT	After 18 months' service	After 36 months' service
Fair value at grant date	$0.0101	$0.0098	$0.0101	$0.0098
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 FY19	**$12,670**	**$18,287**	-	**$16,256**
Remuneration expense for FY18	**$12,670**	**$18,287**	**$25,340**	**$16,256**

REMUNERATION REPORT (Audited) – (continued)

Remuneration and other terms of employment for the Chief Operating Officer, Christopher McLaughlin, as at 30 June 2019, 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. Amended on 1 January 2019.
- Termination notice period: three months.
- Annual Chief Operating Officer salary of $250,000
- STI At-Risk of $75,000 based on the following KPI's:

FY19	%
NPAT	70
Annuity Growth	5
Professional Services Growth	5
Delivery Efficiency - Annuity	5
Delivery Efficiency - Professional Services	5
Customer Satisfaction	5
Employee Satisfaction	5

Options	TIER 1	TIER 2
Grant date	05/07/2016	05/07/2016
Expiry date	30/06/2021	30/06/2021
Share price at grant date	$0.028	$0.028
Exercise price	$0.035	$0.045
Vesting Conditions	Vested	Vests 20/07/2019
Fair value at grant date	$0.0123	$0.0105
Number granted	1,675,000	1,675,000
Total fair value	$20,593	$17,540
Remuneration expense for FY19	-	**$5,847**

REMUNERATION REPORT (Audited) – (continued)

Remuneration and other terms of employment for the Chief Financial Officer, Matthew Green, as at 30 June 2019, 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. Amended on 1 August 2018.
- Termination notice period: three months.
- Annual Chief Financial Officer salary of $240,000
- STI At-Risk of $75,000 based on the following KPI's:

FY19	%
NPAT	70
Cost Control	10
Delivery Efficiency	10
Customer Satisfaction	5
Employee Satisfaction	5

Options	TIER 1	TIER 2	TIER 3	TIER 4
Grant date	20/11/2015	20/11/2015	05/07/2016	05/07/2016
Expiry date	13/11/2020	13/11/2020	30/06/2021	30/06/2021
Share price at grant date	$0.030	$0.030	$0.028	$0.028
Exercise price	$0.035	$0.045	$0.035	$0.045
Vesting Conditions	Vested	Vested	Vested	Vests 20/07/2019
Fair value at grant date	$0.0095	$0.0088	$0.0123	$0.0105
Number granted	1,675,000	1,675,000	862,500	862,500
Total fair value	$31,829	$29,489	$10,604	$9,032
Remuneration expense for FY19	-	**$3,683**	-	**$3,011**

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 $70,000 (2018 - $70,000) (plus statutory superannuation)

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 $48,402 (2018 - $48,402) (plus statutory superannuation)

Paul Everingham, Non-Executive Director (appointed 23 July 2018):

- 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 $43,836 (plus statutory superannuation)

Patrick Glovac, Former Non-Executive Director (resigned 23 July 2019):

- 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 $43,836, pro-rata for one month served $2,529 (2018 - $43,386) (plus statutory superannuation)

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.

Consolidated Entity performance and link to remuneration

Remuneration for certain individuals is directly linked to the performance of the consolidated entity. 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.

REMUNERATION REPORT (Audited) – (continued)

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

FY2019	FY2018
Underlying Profit	Underlying Profit
Margin	Margin
Annuity Growth	Annuity Growth
Cost Control	Delivery Efficiency
Customer Satisfaction	Customer Satisfaction
Employee Satisfaction	Employee Satisfaction

Voting and comments made at the Company's 20 November 2018 Annual General Meeting ('AGM')

At the 2018 AGM, 91% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2018. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

KEY MANAGEMENT PERSONNEL REMUNERATION FOR THE YEAR ENDED 30 JUNE 2019

NAME POSITION	YEAR	SHORT-TERM EMPLOYEE BENEFITS			POST-EMPLOYMENT BENEFITS		EQUITY-SETTLED SHARE-BASED	TOTAL $	PERFORMANCE RELATED
		Salary & Fees $	Bonuses* $	Other $	Super $	Other $	Shares & Share Options $		
Andrew Milner NON-EXECUTIVE CHAIRMAN	2019	68,654	-	-	6,522	-	-	75,176	-
	2018	70,000	-	-	6,650	-	23,625	100,275	-
Daniel Rohr NON-EXECUTIVE DIRECTOR	2019	47,471	-	-	4,510	-	-	51,981	-
	2018	48,402	-	-	4,598	-	23,625	76,625	-
Paul Everingham NON-EXECUTIVE DIRECTOR	2019	40,520	-	-	3,849	-	-	44,369	-
Matthew Sullivan MANAGING DIRECTOR	2019	273,365	-	6,599	24,964	-	47,213	352,141	9%
	2018	262,916	35,050[1]	-	28,307	-	72,553	398,826	9%
Christopher McLaughlin CHIEF OPERATING OFFICER	2019	238,526	-	3,660	22,075	-	5,847	270,108	-
Matthew Green CHIEF FINANCIAL OFFICER	2019	233,718	-	(1,524)	22,203	-	6,693	261,090	-
Patrick Glovac FORMER NON-EXECUTIVE DIRECTOR	2019	2,529	-	-	240	-	-	2,769	-
	2018	43,836	-	-	4,164	-	23,625	71,625	-
TOTAL	**2019**	**904,783**	**-**	**8,734**	**84,363**	**-**	**59,753**	**1,057,634**	**-**
	2018	**425,155**	**35,050**	**-**	**43,719**	**-**	**143,428**	**647,352**	**-**

REMUNERATION REPORT (Audited) – (continued)

[1]. Matthew Sullivan achieved 35% of the STI in 2018 based on the following KPIs:

FY17	% Target	% Achieved
NPAT	30% Indexed	50% of target - Indexed
Growth	30%	30%
Improvement	20%	20%
Customer Satisfaction	10%	10%
Employee Satisfaction	10%	10%
Total	100%	35%

SHARE BASED COMPENSATION TO KEY MANAGEMENT PERSONNEL DURING THE YEAR ENDED 30 JUNE 2019

There are no performance conditions attached to the Director options issued in the prior year. 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'S OPTIONS	TIER 1	TIER 2	TIER 3	TIER 4
Grant date	18 Oct 2016	18 Oct 2016	18 Oct 2016	18 Oct 2016
Expiry date	5 years from vesting	5 years from vesting	18 April 2023	18 Oct 2024
Share price at grant date	$0.028	$0.028	$0.028	$0.028
Exercise price	$0.045	$0.060	$0.045	$0.060
Vesting Conditions	When Cirrus achieves $2 million in EBIT	When Cirrus achieves $4 million in EBIT	After 18 months' service	After 36 months' service
Fair value at grant date	$0.0101	$0.0098	$0.0101	$0.0098
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 FY19	**$12,670**	**$18,287**	-	**$16,256**
Remuneration expense for FY18	**$12,670**	**$18,287**	**$25,340**	**$16,256**

Matthew's share-based payment expense for the 2019 year made up 20.10% of his total compensation.

REMUNERATION REPORT (Audited) – (continued)

OPTION HOLDINGS OF KEY MANAGEMENT PERSONNEL

30 JUNE 2019	BALANCE AT THE START OF THE YEAR	BALANCE AT APPOINTMENT / (RESIGNATION) DATE	GRANTED AS REMUNERATION	NET CHANGE	BALANCE AT THE END OF THE YEAR
Andrew Milner	2,500,000	-	-	-	2,500,000
Daniel Rohr	2,500,000	-	-	-	2,500,000
Paul Everingham	-	-	-	-	-
Matthew Sullivan	20,000,000	-	-	-	20,000,000
Christopher McLaughlin	3,350,000	-	-	-	3,350,000
Matthew Green	5,075,000	-	-	-	5,075,000
Patrick Glovac	7,666,667	(7,666,667)*	-	(7,666,667)	-
TOTAL	**41,091,667**	**(7,666,667)**	**-**	**(7,666,667)**	**33,425,000**

*As at the time of Patrick Glovac's resignation, he held 7,666,667 options.

30 JUNE 2019	VESTED AS AT END OF YEAR		
	TOTAL	EXERCISABLE	NOT EXERCISABLE
Andrew Milner	2,500,000	2,500,000	-
Daniel Rohr	2,500,000	2,500,000	-
Paul Everingham	-	-	-
Matthew Sullivan	5,000,000	5,000,000	-
Christopher McLaughlin	1,675,000	1,675,000	-
Matthew Green	4,212,500	4,212,500	-
TOTAL	**15,887,500**	**15,887,500**	**-**

REMUNERATION REPORT (Audited) – (continued)

SHARE HOLDINGS OF KEY MANAGEMENT PERSONNEL

30 JUNE 2019	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 THE YEAR
Andrew Milner	44,323,387	-	-	-	-	44,323,387
Daniel Rohr	7,678,863	-	-	-	-	7,678,863
Paul Everingham	-			4,880,000	4,880,000	4,880,000
Matthew Sullivan	47,023,387	-	-	1,250,000	1,250,000	48,273,387
Christopher McLaughlin	-	-	-	-	-	-
Matthew Green	14,457,781	-	-	13,000,000	13,000,000	27,457,781
Patrick Glovac	7,033,334	(7,033,334)	-	-	(7,033,334)	-
TOTAL	**120,516,752**	**(7,033,334)**	**-**	**19,130,000**	**12,096,666**	**132,613,418**

*As at the time of Patrick Glovac's resignation, he held 7,033,334 shares.

This concludes the remuneration report, which has been audited.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There has not arisen in the interval between the end of the financial year and the date of this report any item, 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 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:

Services other than audit and review of financial statements	90,818
Audit and review of financial statements	48,854
TOTAL	**139,672**

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 Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

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

On behalf of the Directors

	Date: 22 August 2019
Matt Sullivan Managing Director	**Signature:**

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

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 2019, 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, 22 August 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2019

	NOTE	CONSOLIDATED ($) 2019	CONSOLIDATED ($) 2018
REVENUE			
Revenue	2.2	88,038,326	76,092,829
Other Income	2.3	125,794	614,977
		88,164,120	**76,707,806**
EXPENSES			
Purchase of Goods		(56,805,785)	(57,014,004)
Employee and labor related costs		(25,753,011)	(16,630,743)
Depreciation & Amortisation		(663,196)	(466,215)
Finance costs		(223,564)	(23,198)
Other Expenses		(3,369,679)	(2,537,538)
Foreign exchange losses		(2,058)	(10,872)
Share based compensation – options		(303,038)	(226,046)
Redundancy & Business Restructure		(267,510)	(165,345)
		(87,387,841)	**(77,073,961)**
PROFIT/(LOSS) BEFORE INCOME TAX		**776,279**	**(366,155)**
Income tax benefit	2.4	-	3,197,446
PROFIT AFTER INCOME TAX FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF CIRRUS NETWORKS HOLDINGS LTD	2.5	**776,279**	**2,831,291**
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 LTD		**776,279**	**2,831,291**

EARNINGS PER SHARE FROM CONTINUING OPERATIONS	NOTE	CENTS	CENTS
Basic earnings per share	2.6	0.0884	0.343
Diluted earnings per share	2.6	0.0884	0.343

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 2019

	NOTE	CONSOLIDATED	
		($) 2019	($) 2018
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4.1	5,012,769	5,263,581
Trade and other receivables	4.2	22,383,899	14,659,295
Inventories	3.1	294,406	210,069
Other		78,518	341,658
TOTAL CURRENT ASSETS		**27,769,592**	**20,474,603**
NON-CURRENT ASSETS			
Property, plant and equipment	3.2	559,888	653,143
Intangibles	3.3	8,727,466	8,792,795
Deferred tax asset	2.4	2,709,922	2,709,922
TOTAL NON-CURRENT ASSETS		**11,997,276**	**12,155,860**
TOTAL ASSETS		**39,766,868**	**32,630,463**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	4.3	26,100,021	17,877,816
Borrowings	5.2	800,000	333,332
Provisions	4.4	695,057	656,490
Financial liability	6.4	-	3,000,000
TOTAL CURRENT LIABILITIES		**27,595,078**	**21,867,638**
NON-CURRENT LIABILITIES			
Borrowings	5.2	600,000	500,001
Provisions	4.4	267,513	257,490
TOTAL NON-CURRENT LIABILITIES		**867,513**	**757,491**
TOTAL LIABILITIES		**28,462,591**	**22,625,129**
NET ASSETS		**11,304,277**	**10,005,334**
NET ASSETS			
EQUITY			
Issued capital	5.1	14,200,608	13,775,608
Reserves	6.1	1,037,493	734,455
Accumulated losses	2.5	(3,933,824)	(4,504,729)
TOTAL EQUITY		**11,304,277**	**10,005,334**

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 2019

CONSOLIDATED	($) ISSUED CAPITAL	($) RESERVES	($) ACCUMULATED LOSSES	($) TOTAL EQUITY
Balance at 1 July 2017	12,552,411	508,409	(7,336,020)	5,724,800
Profit after income tax expense for the year	-	-	2,831,291	2,831,291
Other comprehensive income for the year, net of tax	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**-**	**-**	**2,831,291**	**2,831,291**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS				
Issue of share capital (note 5.1)	1,287,705	-	-	1,287,705
Capital raising costs (note 5.1)	(64,508)	-	-	(64,508)
Issue of Options (note 6.1)	-	226,046	-	226,046
BALANCE AT 30 JUNE 2018	**13,775,608**	**734,455**	**(4,504,729)**	**10,005,334**

CONSOLIDATED	($) ISSUED CAPITAL	($) RESERVES	($) ACCUMULATED LOSSES	($) TOTAL EQUITY
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) (Note 1.4)	-	-	(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, net of tax	-	-	-	-
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
Issue of Options (note 6.1)	-	303,038	-	303,038
BALANCE AT 30 JUNE 2019	**14,200,608**	**1,037,493**	**(3,933,824)**	**11,304,277**

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 2019

	NOTES	CONSOLIDATED ($) 2019	CONSOLIDATED ($) 2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		90,827,446	85,695,903
Payments to suppliers and employees		(88,492,424)	(84,430,017)
Interest received		48,159	42,407
NET CASH FROM OPERATING ACTIVITIES	4.1	**2,383,181**	**1,305,493**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(400,037)	(437,317)
Cash held by Correct Communications Pty Ltd at acquisition date		-	413,947
Payment for purchase of subsidiary		(2,575,000)	(1,500,000)
NET CASH (USED IN) INVESTING ACTIVITIES		**(2,975,037)**	**(1,523,370)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	787,705
Proceeds from borrowings		1,250,000	1,000,000
Repayment of borrowings		(683,334)	(166,667)
Other - Interest paid		(223,564)	(22,625)
Other - Capital raising costs		-	(64,508)
NET CASH PROVIDED BY FINANCING ACTIVITIES		**343,102**	**1,533,905**
Net (decrease)/increase in cash and cash equivalents		(248,753)	1,316,028
Cash and cash equivalents at the beginning of the financial year		**5,263,581**	**3,947,553**
Effects of exchange rate changes on cash and cash equivalents		(2,058)	-
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR		**5,012,769**	**5,263,581**

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

Notes to the Financial Statements

For the year ended 30 June 2019

1 BASIS OF PREPERATION

In preparing the 2019 financial statements, the Group has made a number of changes in structure, layout and wording in order to make the financial statements less complex and more relevant for the shareholders and other users.

We have grouped notes into sections under six key categories

1. **Basis of preparation**
2. **Results for the year**
3. **Assets and liabilities**
4. **Working capital disclosures**
5. **Equity and funding**
6. **Other disclosures**

Significant accounting policies, critical judgemental, estimates and assumptions specific to one note are included within that note and where possible, wording has been simplified to provide clearer commentary on the financial report of the Group. Accounting policies determined non-significant are not included in the financial statements. There have been no changes to the Group's accounting policies that are no longer disclosed in the financial statements.

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 Arcadia Chambers, Level 2, 1 Roydhouse Street, Subiaco, WA, 6008.

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 on 22 August 2019.

Cirrus Networks is a next-generation technology service provider delivering advisory services, integration 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 forecast cash flows, the Group has sufficient working capital to fund its mandatory obligations for the period ending 12 months from the date of this report. There are no indicators suggesting going concern problems 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;

1.2 BASIS OF PREPARATION – (continued)

- 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 2018. 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 6.7 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

In the year ended 30 June 2019, the Group has reviewed all 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 2018.

New standards impacting the Group that have been adopted from 1 July 2018 are:

- AASB 15 *Revenue from Contracts with Customers* (AASB 15); and
- AASB 9 *Financial Instruments* (AASB 9).

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

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 the Group's 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 by AASB 101.

Impact of new accounting standards

The effects of initially applying the following new standards on the Group's consolidated financial statements from 1 July 2018 are:

- the adoption of AASB 15 has resulted in changes in accounting policies and disclosures in the financial statements but has had no significant impact on the amount of revenue recognised for the Group in the current or previous periods. Refer to note 2.2 for the new revenue accounting policy and the Group's new revenue disclosures; and
- The adoption of AASB 9 has resulted in changes in accounting policies and has resulted in an adjustment of $205,374 that has been posted to opening retained earnings to recognise the expected credit loss relating to the Group's trade receivables as at 1 July 2018. Refer to note 6.5 for the new financial instruments accounting policy.

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
Note 2.2 – Revenue	Principal versus agent
Note 2.2 – Revenue	Allocation of transaction price
Note 2.4 – Income tax	Income tax
Note 3.2 – Property, plant and equipment	Estimation of useful lives of assets
Note 3.3 – Intangible assets	Useful life of intangible assets
Note 3.3 – Intangible assets	Goodwill and other indefinite life intangible assets
Note 3.3 - Intangible assets	Key assumptions used for value-in-use calculations
Note 4.2 – Trade and other receivables	Provision for impairment of receivables
Note 4.4 – Provisions	Employee benefit provision
Note 6.1 – Share based payments	Share based payment transactions
Note 6.4 – Entity Acquisitions	Business combinations

2 RESULTS FOR THE YEAR

This section focuses on the results and performance of the Group, with disclosures including segmental information, components of the operating profit, taxation and earnings per share.

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

As a result of the adoption of AASB 15, the Group has changed its accounting policy for revenue recognition from 1 July 2018 as detailed below:

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	CONSOLIDATED	
	($) 2019	($) 2018
PRODUCT TYPE		
Product sales	62,800,220	57,504,282
Professional services	15,439,527	13,453,816
Managed services	9,798,579	5,134,731
	88,038,326	**76,092,829**
TIMING OF TRANSFER OF GOODS AND SERVICES		
Point in time	62,800,220	57,504,282
Over time	25,238,106	18,588,547
	88,038,326	**76,092,829**

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		
	($) 2020	($) 2021	($) 2022+
Significant Long Term Contracts	5,095,912	3,817,118	3,262,812

2.3 OTHER INCOME

Other income – is recognised when the amount can be reliably measured and control of the right to receive the income has passed to the Group.

Finance income - is recognised using the effective interest method.

Government grants received - Grants for research and development incentives are recognised as revenue in the period in which they are received, in accordance with IAS 20 "Government Grants". The grants received in the prior period are for Research and Development (R&D) tax incentives for the 2017 financial year and fulfil all the necessary attached conditions.

	CONSOLIDATED	
	($) 2019	($) 2018
Interest Income	48,160	42,407
Vendor Marketing Support	77,634	215,811
R&D Tax Offset	-	356,759
	125,794	**614,977**

2.4 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.

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. The group is expected to generate taxable income from 2020 onwards. The losses can be carried forward indefinitely and have no expiry date.

Key judgements and estimates– income tax

The consolidated entity 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 consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity'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.

2.4 INCOME TAX – (continued)

	CONSOLIDATED	
	($) 2019	($) 2018
(A) INCOME TAX EXPENSE/(BENEFIT)		
Current tax	-	-
Deferred tax	-	(3,197,446)
Recoupment of prior year tax losses	-	-
TOTAL INCOME TAX EXPENSE/(BENEFIT)	**-**	**(3,197,446)**
(B) RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE		
(Loss)/profit for the period	776,279	(366,155)
Prima facie tax payable at 30%	(232,884)	(109,847)
ADD TAX EFFECT OF:		
Non-deductible expenses	111,738	80,803
Non-assessable income	-	(107,013)
Current year losses realised	-	85,675
Movement in timing differences not brought to account	(344,622)	-
Other deferred tax assets brought to account	-	50,382
Deferred tax asset on losses brought to account	-	(3,197,446)
INCOME TAX BENEFIT / (EXPENSE)	**-**	**(3,197,446)**
(C) DEFERRED TAX LIABILITY		
Accrued Revenue	-	125,173
Prepaid expenditure	96	7,022
Intangible	306,452	487,524
Other temporary differences	389	5,597
Offset of deferred tax assets	(306,937)	(625,315)
NET DEFERRED TAX LIABILITY RECOGNISED	**-**	**-**

2.4 INCOME TAX – (continued)

(D) DEFERRED TAX ASSET		
Tax losses	2,625,476	2,756,185
Property, plant and equipment	2,789	2,369
Expenses taken into equity	49,806	90,472
Other temporary differences	338,788	486,211
	3,016,859	**3,335,237**
Offset of deferred tax liabilities	(306,937)	(625,315)
Net deferred tax assets recognised	2,709,922	2,709,922
DEFERRED TAX ASSET ON TAX LOSSES NOT BROUGHT TO ACCOUNT	**2,010,737**	**2,663,659**
(E) TAX LOSSES CARRIED FORWARD		

As at 30 June 2019, the Company had $2,010,737 (2018: $2,663,659) of unrecognised deferred tax assets relating to unused tax losses. Net deferred tax assets of $318,378 (2018: $2,709,922) have been recognised in the 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.

2.5 ACCUMULATED LOSSES

	CONSOLIDATED	
	($) 2019	($) 2018
Accumulated losses at the beginning of the financial year	(4,504,729)	(7,336,020)
Retrospective adjustment upon change in accounting policy (AASB 9) (note 1.4)	(205,374)	-
Restated accumulated losses at the beginning of the financial year	**(4,710,103)**	**-**
Profit after income tax expense for the year	776,279	2,831,291
ACCUMULATED LOSSES AT THE END OF THE FINANCIAL YEAR	**(3,933,824)**	**(4,504,729)**

2.6 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	
	2019	2018
Profit attributable to the owners of Cirrus Networks Holdings Ltd	$776,279	$2,831,291
Weighted average number of ordinary shares	877,988,673	825,153,515
Earnings per share – cents	0.0884	0.3431
Diluted earnings per share – cents	0.0884	0.3431

The number of options on issue at 30 June 2019 is 84,950,000 (2018: 111,775,000). These are not considered dilutive as the average market price of the ordinary shares exceeds the exercise price of the options.

3 ASSETS AND LIABILITIES

This section focuses on the assets and liabilities which form the core of the ongoing business, including inventories, property, plant and equipment, intangible assets as well as capital and other commitments at year end.

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	
	($) 2019	($) 2018
INVENTORIES - AT COST	**294,406**	**210,069**

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.

3.2 PROPERTY, PLANT AND EQUIPMENT - (continued)

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.

Key judgements and estimates – Estimation of useful lives of assets

The consolidated entity 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.

PROPERTY, PLANT AND EQUIPMENT	CONSOLIDATED	
	($) 2019	($) 2018
Computer equipment - at cost	453,858	413,985
Less: Accumulated depreciation	(287,495)	(209,959)
	166,363	204,026
Office equipment - at cost	332,956	306,074
Less: Accumulated depreciation	(222,342)	(179,463)
	110,614	126,611
Hosting Infrastructure - at cost	591,785	450,075
Less: Accumulated depreciation	(332,318)	(159,772)
	259,467	290,303
Leasehold Improvements - at cost	158,932	138,932
Less: Accumulated depreciation	(135,488)	(106,729)
	23,444	32,203
	559.888	653,143

3.2 PROPERTY, PLANT AND EQUIPMENT - (continued)

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

CONSOLIDATED	COMPUTER EQUIPMENT ($)	OFFICE EQUIPMENT ($)	HOSTING INFRASTRUCTURE ($)	LEASEHOLD IMPROVEMENT ($)	TOTAL ($)
Balance at 1 July 2017	147,908	40,913	80,665	78,788	348,274
Additions	114,604	11,151	297,000	-	422,755
Additions through business combinations	13,233	108,420	-	-	121,653
Depreciation expense	(71,719)	(33,873)	(87,362)	(46,585)	(239,539)
BALANCE AT 30 JUNE 2018	204,026	126,611	290,303	32,203	653,143
Additions	34,371	17,178	141,710	20,000	213,259
Depreciation expense	(72,034)	(33,175)	(172,546)	(28,759)	(306,514)
BALANCE AT 30 JUNE 2019	166,363	110,614	259,467	23,444	559,888

3.3 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.

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.

3.3 INTANGIBLE ASSETS – (continued)

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 consolidated entity 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	
	($) 2019	($) 2018
Intangible assets	1,407,860	1,473,189
Goodwill - at cost	7,319,606	7,319,606
	8,727,466	8,792,795

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 2017	3,532,247
Additions through asset purchase	1,625,080
Additions through business combinations (note 6.4)	3,862,144
Accumulated amortisation and impairment	(226,676)
BALANCE AT 30 JUNE 2018	8,792,795
Additions through asset purchase	291,354
Accumulated amortisation and impairment	(356,683)
BALANCE AT 30 JUNE 2019	8,727,466

3.3 INTANGIBLE ASSETS – (continued)

The aggregate carrying amount of intangibles allocated to the Group's reportable segment is:

	CONSOLIDATED	
	($) 2019	($) 2018
Intangible assets – customer relationships	1,116,506	1,473,189
Intangible assets – software	291,354	-
Goodwill – Correct Communications Pty Ltd	3,862,144	3,862,144
Goodwill – NGage Technology Group Pty Ltd	2,499,988	2,499,988
Goodwill – L7 Solutions	957,474	957,474
	8,727,466	8,792,795

For the purpose of impairment testing, intangibles are allocated to one (2018: one) Cash Generating Unit ('CGU'). As at 30 June 2019, 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).

2019: THE AGGREGATE CARRYING AMOUNTS ALLOCATED TO THE CGU IS:	($) 2019
Cirrus Networks Holdings Ltd	8,727,466
CLOSING VALUE AT 30 JUNE 2019	**8,727,466**

2018: THE AGGREGATE CARRYING AMOUNTS ALLOCATED TO THE CGUS ARE:	($) 2018
Cirrus Networks Holdings Ltd	8,792,795
CLOSING VALUE AT 30 JUNE 2018	**8,792,795**

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 determine 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	2019 CGU	2018 CGU
Sales growth (% annual growth rate)	5.0	5.0
Budgeted gross margin (%)	20.0	18.0
Other operating costs ($'000)	14,256	15,108
Annual capital expenditure ($'000)	100	100
Long term growth rate (%)	2.5	2.5
Pre-tax discount rate (%)	13.0	13.0

3.3 INTANGIBLE ASSETS – (continued)

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.
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 no 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 and the countries in which they operate.

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.

3.4 COMMITMENTS

Operating lease commitments

The Group leases three office premises 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 ($)	2018 ($)
Within one year	771,188	335,696
After one year but not more than five years	1,667,890	313,948
More than five years	-	-
	2,439,078	649,644

3.5 CONTINGENT LIABILITIES AND ASSETS

The Group has no known contingent liabilities or contingent assets.

4 WORKING CAPITAL DISCLOSURES

This section focuses on the cash funding available to the Group and working capital position at year end.

4.1 CASH AND CASH EQUIVALENTS

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

RECONCILIATION OF CASH AND CASH EQUIVALENTS	CONSOLIDATED	
	($) 2019	($) 2018
CASH AT BANK	5,012,769	5,263,581

RECONCILIATION OF THE NET PROFIT AFTER INCOME TAX TO THE NET CASH FLOWS USED IN OPERATIONS	CONSOLIDATED	
	($) 2019	($) 2018
PROFIT FOR THE YEAR	776,279	2,831,291
Cash flows excluded from profit attributable to operating activities non-cash flows in profit:		
depreciation and amortisation	663,196	466,215
employee remuneration (options)	303,038	226,046
Changes in assets and liabilities (net effect):		
(increase)/decrease in trade and other receivables	(7,724,604)	4,043,486
(increase)/decrease in other assets	84,337	298,813
increase/(decrease) in trade and other payables	8,232,345	(4,148,413)
increase/(decrease) in income taxes payable	-	(2,709,922)
increase/(decrease) in employee benefits	48,590	297,977
CASH FLOW FROM (USED IN) OPERATIONS	2,383,181	1,305,493

2019: NON-CASH INVESTING AND FINANCING ACTIVITIES	($) 2019
Issue of 21,881,449 deferred consideration shares in Cirrus Networks Holdings for acquisition of Correct Communications Pty Ltd – refer to note 6.4	$425,000

2018: NON-CASH INVESTING AND FINANCING ACTIVITIES	($) 2018
Issue of 21,969,621 deferred consideration shares in Cirrus Networks Holdings for acquisition of Correct Communications Pty Ltd – refer to note 6.4	$500,000

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 consolidated entity 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	
	($) 2019	($) 2018
Trade receivables	20,467,838	14,091,213
Other receivables	1,916,061	568,082
	22,383,899	14,659,295

Receivables past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to $1,626,538 as at 30 June 2019 (2018: $2,134,235).

The consolidated entity 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	
	($) 2019	($) 2018
0 to 1 month overdue	918,649	1,366,383
1 to 3 months overdue	627,331	767,852
Over 3 months overdue	80,558	-
	1,626,538	2,134,235

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 Consolidated Entity 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	
	($) 2019	($) 2018
Trade payables	24,795,131	15,394,753
Accruals & customer deposits	381,320	730,438
Other payables	923,570	1,752,625
	26,100,021	17,877,816

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.

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	
	($) 2019	($) 2018
Annual leave	680,230	615,966
Provision for onerous lease	12,847	38,544
Lease incentive	1,980	1,980
	695,057	656,490

4.5 PROVISIONS – (continued)

NON-CURRENT PROVISIONS	CONSOLIDATED	
	($) 2019	($) 2018
Lease incentive	11,880	23,760
Long service leave	255,633	233,730
	267,513	257,490

5 EQUITY AND FUNDING

This section focuses on the share capital, options and debt funding available to the Group at year end

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			
	2019 (NO.)	2018 (NO.)	2019 ($)	2018 ($)
Share Capital	883,384,099	861,502,650	15,721,584	15,296,584
Capital Raising Costs	-	-	(1,520,976)	(1,520,976)
	883,384,099	861,502,650	14,200,608	13,775,608

MOVEMENT RECONCILIATION	CONSOLIDATED			
	2019 (NO.)	2018 (NO.)	2019 ($)	2018 ($)
Balance at the beginning of the year	861,502,650	795,771,629	13,775,608	12,552,411
Issue of shares	21,881,449	43,761,400	425,000	787,705
Issue of deferred consideration shares	-	21,969,621	-	500,000
Less: Capital raising costs	-	-	-	(64,508)
BALANCE AT THE END OF THE YEAR	883,384,099	861,502,650	14,200,608	13,775,608

5.1 ISSUED CAPITAL – (continued)

Options on issue

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

CLASS	NUMBER		EXERCISE PRICE	EXPIRY DATE	VESTING
	2019	2018			
1	-	6,500,000	$0.180	31-12-18	Vested
2	-	13,750,000	$0.060	31-05-18	Vested
3	2,062,500	2,062,500	$0.035	30-06-22	Vested
4	2,062,500	2,062,500	$0.045	30-06-22	Vests 09-07-20
5	7,000,000	7,000,000	$0.080	31-12-19	Vested
6	6,287,500	10,025,000	$0.035	13-11-20	Vested
7	6,287,500	10,025,000	$0.045	13-11-20	Vested
8	5,612,500	5,912,500	$0.035	30-06-21	Vested
9	5,612,500	5,912,500	$0.045	30-06-21	Vests 20-07-19
10	5,000,000	5,000,000	$0.045	5 years from vesting date	When EBIT > $2M
11	5,000,000	5,000,000	$0.060	5 years from vesting date	When EBIT > $4M
12	5,000,000	5,000,000	$0.045	18-04-23	Vested
13	5,000,000	5,000,000	$0.060	18-10-24	Vests 18-10-19
14	1,762,500	3,000,000	$0.035	30-06-22	Vested
15	1,762,500	3,000,000	$0.045	30-06-22	Vested
16	7,500,000	7,500,000	$0.060	11-10-23	Vests 11-10-22
17	7,500,000	7,500,000	$0.045	11-10-21	Vests 11-10-20
18	4,250,000	4,250,000	$0.035	22-11-21	Vested
19	4,250,000	4,250,000	$0.045	22-11-21	Vested
20	1,500,000	-	$0.035	30-06-21	Vests 28-03-20
21	1,500,000	-	$0.045	30-06-21	Vests 28-09-21
TOTAL	**84,950,000**	**112,750,000**			

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 2017	**100,925,000**
Options issued during the year – employees	24,250,000
Options issued during the year – Directors	7,500,000
Options cancelled/expired during the year	(19,925,000)
BALANCE AS AT 30 JUNE 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**

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	
	($) 2019	($) 2018
Borrowings-current	800,000	333,332
Borrowings-non-current	600,000	500,001
	1,400,000	833,333

The Group entered into a separate unsecured Commercial Advance Facility with Bankwest specifically for Acquisition Funding. Interest payable at BBSY plus a margin of 3.00% per annum. The loan is repayable over 3 years. As at 30 June 2019, $1,400,000 has been drawn down under the Commercial Advance Facility

6 OTHER DISCLOSURES

This section focuses on share schemes in operation and financial risk management of the Group. Other mandatory disclosures, such as details of related party transactions can also be found here.

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	
	($) 2019	($) 2018
Equity Settled Employee Benefits Reserve	1,037,493	734,455
	1,037,493	734,455

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:

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	02-12-14	31-12-19	$0.0800	$0.0200	$162,400	100%	02-12-14
6,287,500	20-11-15	13-11-20	$0.0350	$0.0300	$190,498	100%	13-05-17
6,287,500	20-11-15	13-11-20	$0.0450	$0.0300	$176,490	100%	13-11-18
5,612,500	05-07-16	30-06-21	$0.0350	$0.0280	$72,686	100%	05-12-17
5,612,500	05-07-16	30-06-21	$0.0450	$0.0280	$61,911	0%	20-07-19
5,000,000	18-10-16	5 years from vesting date	$0.0450	$0.0280	$50,681	0%	When EBIT >2M
5,000,000	18-10-16	5 years from vesting date	$0.0600	$0.0280	$48,766	0%	When EBIT >4M
5,000,000	18-10-16	18-04-23	$0.0450	$0.0280	$50,681	100%	18-03-18
5,000,000	18-10-16	18-10-24	$0.0600	$0.0280	$48,766	0%	18-10-19
1,762,500	13-06-17	30-06-22	$0.0350	$0.0170	$6,169	100%	13-06-17
1,762,500	13-06-17	30-06-22	$0.0450	$0.0170	$7,931	100%	13-06-17
2,062,500	09-07-17	30-06-22	$0.0350	$0.0170	$24,956	100%	09-12-18
2,062,500	09-07-17	30-06-22	$0.0450	$0.0170	$23,756	0%	09-07-20
7,500,000	11-10-17	11-10-21	$0.0450	$0.0230	$76,530	0%	11-10-20
7,500,000	11-10-17	11-10-23	$0.0600	$0.0230	$89,822	0%	11-10-22
4,250,000	23-11-17	22-11-21	$0.0350	$0.0170	$41,650	100%	23-11-17
4,250,000	23-11-17	22-11-21	$0.0450	$0.0170	$38,675	100%	23-11-17
1,500,000	28-09-18	30-06-22	$0.0350	$0.019	$12,459	0%	28-03-20
1,500,000	28-09-18	30-06-22	$0.0450	$0.019	$10,855	0%	28-09-20

6.1 SHARE BASED PAYMENTS – (continued)

2018							
NUMBER OF OPTIONS	GRANT DATE	EXPIRY DATE	EXERCISE PRICE	SHARE PRICE AT GRANT DATE	FAIR VALUE AT GRANT DATE	% VESTED	VESTING DATE
6,500,000	25-11-13	31-12-18	$0.1800	$0.0300	$117,000	100%	25-11-13
7,000,000	02-12-14	31-12-19	$0.0800	$0.0200	$162,400	100%	02-12-14
13,750,000	2-07-15	31-05-19	$0.0600	$0.0170	$123,750	100%	02-07-15
10,025,000	20-11-15	13-11-20	$0.0350	$0.0300	$190,498	100%	13-05-17
10,025,000	20-11-15	13-11-20	$0.0450	$0.0300	$176,490	0%	13-11-18
5,912,500	05-07-16	30-06-21	$0.0350	$0.0280	$72,686	100%	05-12-17
5,912,500	05-07-16	30-06-21	$0.0450	$0.0280	$61,911	0%	05-07-19
5,000,000	18-10-16	5 years from vesting date	$0.0450	$0.0280	$50,681	0%	When EBIT >2M
5,000,000	18-10-16	5 years from vesting date	$0.0600	$0.0280	$48,766	0%	When EBIT >4M
5,000,000	18-10-16	18-04-23	$0.0450	$0.0280	$50,681	100%	18-03-18
5,000,000	18-10-16	18-10-24	$0.0600	$0.0280	$48,766	0%	18-09-19
3,000,000	13-06-17	30-06-22	$0.0350	$0.0170	$13,500	100%	13-06-17
3,000,000	13-06-17	30-06-22	$0.0450	$0.0170	$10,507	100%	13-06-17
2,062,500	09-07-17	30-06-22	$0.0350	$0.0170	$24,956	0%	09-12-18
2,062,500	09-07-17	30-06-22	$0.0450	$0.0170	$23,756	0%	09-07-20
7,500,000	11-10-17	11-10-21	$0.0450	$0.0230	$76,530	0%	11-10-20
7,500,000	11-10-17	11-10-23	$0.0600	$0.0230	$89,822	0%	11-10-23
4,250,000	23-11-17	22-11-21	$0.0350	$0.0170	$41,650	100%	23-11-17
4,250,000	23-11-17	22-11-21	$0.0450	$0.0170	$38,675	100%	23-11-17

6.1 SHARE BASED PAYMENTS – (continued)

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

	2019		2018	
	NUMBER	($) WEIGHTED AVERAGE EXERCISE PRICE	NUMBER	($) WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at the beginning of year	112,750,000	0.06	100,925,000	0.07
Granted during the year	3,000,000	0.04	31,750,000	0.05
Forfeited during the year	(10,550,000)	0.04	(15,425,000)	0.04
Exercised during the year	-	-	-	-
Expired during the year	(20,250,000)	0.1	(4,500,000)	0.30
Outstanding at the end of year	84,950,000	0.05	112,750,000	0.06
Exercisable at the end of the year	44,275,000	0.04	62,687,500	0.03

The options outstanding at 30 June 2019 had an exercise price in the range of $0.035 to $0.080. The weighted average remaining contractual life of options outstanding (excluding EBIT based options) at the end of the year was 1.9 years.

Expenses arising from share-based payment transactions

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

	($) 2019	($) 2018
Options issued under employee option plan	303,038	226,046

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.

6.1 SHARE BASED PAYMENTS – (continued)

For the options granted during the current financial period, 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 2018	28 Sep 2018
Expiry date	30 Jun 2022	30 Jun 2022
Share price at grant date	$0.019	$0.019
Exercise price	$0.035	$0.045
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	$0.0083	$0.0072
Number granted	1,500,000	1,500,000
Total fair value	$12,450	$10,855

For the options granted during the 2018 financial year, the valuation model inputs used to determine the fair value at the grant date are as follows:

EMPLOYEE OPTIONS	2018	
	TIER 1	TIER 2
Grant date	9 Jul 2017	9 Jul 2017
Expiry date	30 Jun 2022	30 Jun 2022
Share price at grant date	$0.017	$0.017
Exercise price	$0.035	$0.045
Expected volatility	110.58%	110.58%
Dividend yield	0.00%	0.00%
Risk free interest rate	2.25%	2.25%
Fair value at grant date	$0.0121	$0.0121
Number granted	4,125,000	4,125,000
Total fair value	$49,820	$47,511

6.1 SHARE BASED PAYMENTS – (continued)

EMPLOYEE OPTIONS	2018	
	TIER 1	TIER 2
Grant date	11 Oct 2017	11 Oct 2017
Expiry date	11 Oct 2021	11 Oct 2023
Share price at grant date	$0.023	$0.023
Exercise price	$0.045	$0.06
Expected volatility	78.95%	110.58%
Dividend yield	0.00%	0.00%
Risk free interest rate	2.37%	2.37%
Fair value at grant date	$0.0102	$0.012
Number granted	7,500,000	7,500,000
Total fair value	$76,530	$89,821

EMPLOYEE OPTIONS	2018	
	TIER 1	TIER 2
Grant date	23 Nov 2017	23 Nov 2017
Expiry date	22 Nov 2021	22 Nov 2021
Share price at grant date	$0.017	$0.017
Exercise price	$0.035	$0.045
Expected volatility	100%	100%
Dividend yield	0.00%	0.00%
Risk free interest rate	2.20%	2.20%
Fair value at grant date	$0.0098	$0.0091
Number granted	4,250,000	4,250,000
Total fair value	$41,650	$38,675

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 Ltd, the auditor of the Company:

DESCRIPTION	CONSOLIDATED	
	($) 2019	($) 2018
Audit services - BDO Audit (WA) Pty Ltd Audit or review of the financial statements	48,854	50,425
Other services - BDO Corporate Tax (WA) Pty Ltd Tax advice & return preparation	90,818	66,781
	139,672	117,206

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	($) 2019	($) 2018
Short-term employee benefits	913,518	460,205
Post-employment benefits (superannuation)	84,363	43,719
Long-term benefits	-	-
Share-based payments	59,753	143,428
	1,057,634	647,352

Marketing Costs

For the period ending 30 June 2019 no marketing fees and related costs (2018: $108,370) were paid to Roobix Pty Ltd (of which Andrew Milner and Matthew Sullivan were Directors up to 30 April 2018). As at 30 June 2019, there is nil (2018: nil) in outstanding invoices payable to Roobix Pty Ltd.

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.

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.

6.4 ENTITY ACQUISITIONS – (continued)

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.

Key judgements and estimates - Business combinations

Business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Acquisition of Correct Communications Pty Ltd

On 23 November 2017, Cirrus Networks Holdings Limited completed the acquisition of 100% of the share capital of Correct Communications Pty Ltd for 3.92 times FY18 EBIT ("EBIT multiple") with a minimum purchase price of $2 million and a maximum of $5 million.

The purchase price comprises two tranches. The first tranche being $1.5 million in cash on completion and $500,000 in CNW shares to be issued by 30 June 2018 at an issue price based on 5-day VWAP at the time of issue and escrowed for 2 years. The second tranche being dependent on the EBIT multiple result being greater than $2 million and to be calculated after the release of the audited 30 June 2018 full year financial results.

The first tranche was completed on 20 May 2018. The second tranche was calculated after the release of the audited 30 June 2018 full year financial statements. The EBIT calculated resulted in a tranche 2 payment of $3 million being due. Pursuant to the sale agreement, the Company elected to pay $2.575 million in cash and issue $425,000 in fully paid ordinary shares in the Company with the issue price being calculated using the 5-day VWAP immediately prior to issue. The $2.575 million cash component was funding by a combination of a $1.25 million extension to the Company's current acquisition facility (refer to note 5.2 for further details on the facility) and the balance from the Company's existing cash reserves. The second tranche payment was finalised on 28 September 2018.

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.

Adoption of AASB 9 and new accounting policy for financial instruments

The Group has adopted AASB 9 with a date of initial application of 1 July 2018 and has elected not to restate its comparatives. As a result, the Group has changed its accounting policy for financial instruments from 1 July 2018 as detailed below.

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.

6.5 FINANCIAL INSTRUMENTS – (continued)

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.

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 Consolidated Entity'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 Consolidated Entity'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 consolidated entity.

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

6.5 FINANCIAL INSTRUMENTS – (continued)

risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Foreign currency risk

The Consolidated Entity 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 Consolidated Entity is not exposed to any significant price risk.

Interest rate risk

Any movement up or down 100 basis points on the Consolidated Entity'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.

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**	
	($) 2019	**($) 2018**
Group 1	320,164	1,586,774
Group 2	21,253,012	12,504,439
Group 3	-	-
TOTAL TRADE RECEIVABLES	**21,573,176**	**14,091,213**

**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 consolidated entity 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 Consolidated Entity 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.

6.5 FINANCIAL INSTRUMENTS – (continued)

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 totalling $1,000,000. The facility options are:

- Commercial Advance Facility with interest payable at the rate of BBSY plus a Margin of 2.20% 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.

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 3.00% per annum. The loan is repayable over 3 years. As at 30 June 2019, $1,400,000 has been drawdown under the Commercial Advance Facility;

6.6 PARENT ENTITY DISCLOSURES

a) Financial Position

DESCRIPTION	($) 2019	($) 2018
ASSETS		
Current Assets	8,316,782	2,792,232
Non-Current Assets	3,340,275	11,183,346
TOTAL ASSETS	**11,657,057**	**13,975,578**
LIABILITIES		
Current Liabilities	1,194,294	3,333,310
Non-Current Liabilities	937,791	637,791
TOTAL LIABILITIES	**2,132,085**	**3,971,101**
EQUITY		
Issued Capital	13,983,308	13,558,308
Accumulated Losses	(5,495,828)	(4,288,286)
Equity Settled Employee Benefits Reserve	1,037,493	734,455
TOTAL EQUITY	**9,524,972**	**10,004,477**

b) Statement of Profit or Loss and other Comprehensive Income

PROFIT FOR THE YEAR	($) 2019	($) 2018
Profit/(Loss) for the Year	(1,207,542)	2,597,014
Other Comprehensive Income	-	-
TOTAL COMPREHENSIVE INCOME	**(1,207,542)**	**2,597,014**

6.6 PARENT ENTITY DISCLOSURES – (continued)

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 2019, the Company had not entered into any contractual commitments for the acquisition of property, plant or equipment.

6.7 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

At the date of authorisation of the financial statements, the following Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Group for the year ended 30 June 2019.

REF	LEASES	SUMMARY	APPLICATION DATE OF STANDARD	APPLICATION DATE FOR THE GROUP
			PERIODS BEGINNING ON OR AFTER	
AASB 16	Leases	The new Standard introduces three main changes: • Enhanced guidance on identifying whether a contract contains a lease; • A completely new leases accounting model for lessees that require lessees to recognise all leases on balance sheet, except for short-term leases and leases of low value assets; • Enhanced disclosures. Lessor accounting will not significantly change. Impact: The Company has assessed the impact of the new leasing standard and concluded there will be no change to the accounting treatment for short-term leases less than 12 months and leases of low value items, which will continue to be expensed on a straight-line basis. Right to use assets will be brought on the Balance sheet and the Company is in the process of assessing the impact.	1 Jan 2019	1 Jul 2019

6.8 SUBSEQUENT EVENTS

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 2019

The Directors of the Company declare that:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1.2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2019 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: 22 August 2019
Matt Sullivan Managing Director	**Signature:**

BDO

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

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 2019, 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 2019 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 (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.

Impairment testing of intangible assets

Key audit matter	How the matter was addressed in our report
Note 3.3 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 are 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; • Evaluating management's ability to accurately forecast cash flows by assessing the precision of the current year actuals against forecasted outcomes; • 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 third party data for the information technology industry; o Comparing the Group's forecast cash flows to the board approved budget; and o Performing sensitivity analysis on the growth and discount rates. Evaluating the adequacy of the related disclosures in the financial report.

Revenue recognition

Key audit matter	How the matter was addressed in our audit
AASB 15 Revenue from Contracts with Customers (AASB 15) became effective for periods beginning on or after 1 July 2018. A substantial amount of the Group's revenue relates to revenue from sale of goods and rendering of services (which includes professional services and managed services). Revenue recognition was determined to be a key audit matter as this area involves significant judgments and estimates made by management including whether contracts contain multiple performance obligations which should be accounted for separately and the most appropriate method of recognition of revenue for the identified performance obligations. This comprises allocation of consideration to the individual performance obligations based on its 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 audit procedures in respect of this area included but were not limited to the following: • Discussing with management and critically assessing the financial impact of the new revenue standard and changes to the Group's revenue recognition policies on transition 1 July 2018; • 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; • Challenging management's assessment of the performance obligations promised to customers within a contract; • Performing cut-off procedures to ensure 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 disclosure in Note 2.2 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 2019, 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:

http://www.auasb.gov.au/auditors_responsibilities/ar1.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 23 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Cirrus Networks Holdings Limited, for the year ended 30 June 2019, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Group 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

BDO

Dean Just

Director

Perth, 22 August 2019

Corporate Governance

This statement reports on the Company's key governance framework, principles and practices as at 22 August 2019. 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 $250,000 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' 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 Ltd ("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 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 2019, the Board consisted of 4 male members and no female members. The Company Secretary is female.

As at 30 June 2019, the Company has 137 employees, of which 113 are male (FY18:115) and 24 are female (FY18:15)

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 or 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. Due to the re-admission of the Company to ASX on 8 July 2015, the regulatory requirements for which had been underway for a significant part of the reporting period, no formal evaluations took place. 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. Due to the re-admission of the Company to ASX on 8 July 2015, the regulatory requirements for which had been underway for a significant part of the reporting period, no formal evaluations took place.

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,	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.

position, association or relationship in 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 20 August 2019 there were 1,473 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	52	6,970
1,001 – 5,000	138	486,774
5,001 – 10,000	82	677,528
10,001 – 100,000	611	26,799,834
100,001 and over	590	855,412,993
TOTAL	**1,473**	**883,384,099**

The number of shareholders holding less than a marketable parcel of 11,905 shares: 290

SUBSTANTIAL SHAREHOLDERS

At 20 August 2019 the substantial shareholders in the Company are the following:

NAME OF SHAREHOLDER	NUMBER HELD	PERCENTAGE
WILSON ASSET MANAGEMENT GROUP	69,659,366	7.89

SUBSTANTIAL OPTION HOLDERS

At 20 August 2019 the substantial option holders in the Company are set out below:

NAME OF OPTION HOLDER	NUMBER HELD	PERCENTAGE
JARABA AVENUE PTY LTD <SULLIVAN FAMILY A/C>	20,000,000	23.54
MR GLENN MCATEE + MS HEIDI MCATEE <THE MCATEE FAMILY A/C>	15,000,000	17.66
ZENIX NOMINEES PTY LTD	6,000,000	7.06
MR MATTHEW GREEN	5,075,000	5.97
MR CHRISTOPHER MCLAUGHLIN	3,350,000	3.94
MR BRENDAN MACDONALD	3,000,000	3.53
ALCOTRACK PTY LTD <THE MILNER INVESTMENT A/C>	2,500,000	2.94
BEARNICK PTY LTD <DR FAMILY A/C>	2,500,000	2.94
MURDOCH CAPITAL PTY LTD <GLOVAC SUPER FUND A/C>	2,500,000	2.94
GTT VENTURES PTY LTD	2,000,000	2.35
TESHA PTY LTD	2,000,000	2.35
Remaining Holders	21,025,000	24.75
TOTAL	**109,100,000**	**100.00**

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 20 August 2019:

NO.	NAME OF ORDINARY SHAREHOLDER	NUMBER OF SHARES HELD	PERCENTAGE OF SHARES HELD
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	89,403,592	10.12
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>	27,457,781	3.11
6	CITICORP NOMINEES PTY LIMITED	25,753,642	2.92
7	MR MARK NEIL BLACKBURNE OLIVER <THE OLIVER FAMILY A/C>	22,000,000	2.49
8	MR GRAHAME GILSON <THE GILSON FAMILY A/C>	17,466,478	1.98
9	VERTEC IT SOLUTIONS PTY LTD <THE BLOOMFIELD FAMILY A/C>	17,172,572	1.94
10	ZERRIN INVESTMENTS PTY LTD	16,000,000	1.81
11	MR CHRISTOPHER STEVENS	11,779,477	1.33
12	CH GLOBAL PTY LTD <ABC INVESTMENT A/C>	10,000,000	1.13
13	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	9,066,251	1.03
14	NATIONAL NOMINEES LIMITED	8,429,675	0.95
15	MR MATTHEW CHARLES MILNER	8,227,001	0.93
16	MRS MEGAN LEANNE JOHNSON	8,000,000	0.91
17	MR DIGBY NEIL GILMOUR <STELLA & MOET INVEST A/C>	8,000,000	0.91
18	MR GAVIN BRADLEY LEHMANN + MRS MICHELLE YVETTE LEHMANN <THE GAMA SUPER FUND A/C>	7,940,066	0.90
19	MR JOHNATHON MATTHEWS	7,588,382	0.86
20	UBS NOMINEES PTY LTD	7,278,328	0.82
	TOTALS – TOP 20	**441,054,936**	**49.58**
	TOTALS – REMAINING SHAREHOLDERS	**354,716,693**	**50.42**

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

Arcadia Chambers
Level 2, 1 Roydhouse Street
Subiaco WA 6008
Telephone: (08) 6180 4222

REGISTER OF SECURITIES

The register of securities is held at:
Computershare Registry Services Pty Ltd
Level 2, 45 St Georges Terrace
Perth WA 6000
Telephone: +61 8 9323 2000
Facsimile: +61 8 9323 2033