



**FIRSTWAVE**  
CLOUD SECURITY TECHNOLOGY

27 February 2020: ASX Media Release

## FirstWave reports Half Year results

Leading Australian-headquartered global cloud security technology company, **FirstWave Cloud Technology Limited (ASX: FCT) (FirstWave)**, is pleased to lodge its results for the first half of the 2020 financial year and refer you to the investor presentation released on 10 February 2020.

In our Appendix 4C of 31 January 2020, we indicated that our cashflow position would be strengthened in Q3 by receipt of payment against our annual invoice to a major customer. We can confirm that purchase orders have been received, invoices rendered and we expect payment within normal terms.

– ENDS –

**For media and investor inquiries, please contact:**

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+61 412 105 891



Follow FCT on its Twitter investor relations feed: [https://twitter.com/Firstwave\\_FCT](https://twitter.com/Firstwave_FCT)

**About FirstWave Cloud Technology Limited (FirstWave)**

Leading Australian headquartered global cloud security technology company, FirstWave, has delivered Security as a Service (SaaS) solutions since 2004. FirstWave provides safety through the most accessible and adaptive cloud-based cyber-security solutions that are affordable, easy and fast to implement enabling SaaS. Its unique proprietary cloud-platform orchestration is available for service providers and enterprises of any size, anywhere. In an increasingly vulnerable digital world, FirstWave believes that safe business is good business and that all companies should have access to enterprise-quality cyber-security. FirstWave's infrastructure, management and security processes are certified to ISO 27001 Information Security Management System Standard and ISO 9001 Quality Management System Standard.

[www.firstwavecloud.com](http://www.firstwavecloud.com)



**FirstWave Cloud Technology Ltd** ABN: 35 144 733 595 (ASX: FCT)

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**Firstwave Cloud Technology Limited**  
**Appendix 4D**  
**Half-year report**

**1. Company details**

Name of entity: Firstwave Cloud Technology Limited  
ABN: 35 144 733 595  
Reporting period: For the half-year ended 31 December 2019  
Previous period: For the half-year ended 31 December 2018

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**2. Results for announcement to the market**

The consolidated entity has adopted Accounting Standard AASB 16 'Leases' for the half-year ended 31 December 2019. The Accounting Standard was adopted using the modified retrospective approach and as such comparatives have not been restated.

|  |      |          | \$          |
|--|------|----------|-------------|
| Revenues from ordinary activities  | down | 2.1% to  | 4,135,149   |
| Loss from ordinary activities after tax attributable to the owners of Firstwave Cloud Technology Limited | up   | 13.9% to | (6,671,028) |
| Loss for the half-year attributable to the owners of Firstwave Cloud Technology Limited                  | up   | 13.9% to | (6,671,028) |

*Dividends*

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

*Comments*

The loss for the consolidated entity after providing for income tax amounted to \$6,671,028 (31 December 2018: \$5,858,547).

Refer to the 'Review of operations' section of the Directors' report within the Interim Report for further commentary on the results.

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**3. Net tangible assets**

|   | Reporting<br>period<br>Cents | Previous<br>period<br>Cents |
|---|------------------------------|-----------------------------|
| Net tangible assets per ordinary security | <u>0.39</u>                  | <u>(0.07)</u>               |

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**4. Audit qualification or review**

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

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

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**5. Attachments**

*Details of attachments (if any):*

The Interim Report of Firstwave Cloud Technology Limited for the half-year ended 31 December 2019 is attached.

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6. Signed

Signed  \_\_\_\_\_

Date: 27 February 2020

John Grant  
Executive Director and Chairman  
Sydney

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# **Firstwave Cloud Technology Limited**

**ABN 35 144 733 595**

**Interim Report - 31 December 2019**

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**Firstwave Cloud Technology Limited**  
**Directors' report**  
**31 December 2019**

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Firstwave Cloud Technology Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2019.

**Directors**

The following persons were directors of Firstwave Cloud Technology Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

John Grant - Executive Director and Chairman (appointed on 1 July 2019)  
Scott Lidgett  
Paul MacRae  
Simon Moore (resigned on 30 August 2019)  
Sam Saba (resigned on 20 December 2019)

**Principal activities**

During the financial half-year, the principal continuing activities of the consolidated entity comprise of development and sale of internet security software.

**Review of operations**

*Profit or loss performance*

The consolidated entity's revenue for the financial half-year was \$4,135,149, which represents a decline of 2% over the prior comparative period ('PCP'). Licensing and support revenue decreased by 10% and represented 90% of total revenue. Professional Services revenue was \$429,470, increasing 244% on PCP, representing 10% of total revenue.

The consolidated entity's loss after income tax amounted to \$6,671,028 (31 December 2018: loss of \$5,858,547). The consolidated entity expects to continue its strategic expenditure that will manifest in after-tax losses for the next six months.

*Statement of financial position*

Cash and cash equivalents decreased by \$3,997,975 to \$4,063,193 (30 June 2019: \$8,061,168). Of this decrease of cash and cash equivalents, \$8,178,104 represented net cash outflows from operating activities. Net cash used in investing activities was \$2,055,515, reflecting continued investment on the development of core projects. During the financial half-year, the company raised additional capital of \$6,298,213 (net of expenses)

*Going concern*

Based on its current commitments, the consolidated entity has sufficient funds to meet its debts as and when they fall due. Accordingly, the financial statements has been prepared on a going concern basis.

The directors determined that the use of the going concern basis of accounting is appropriate in preparing the financial statements. The assessment of going concern is based on cash flow projections. The preparation of these projections incorporate a number of assumptions, considerations and judgements, and the directors have concluded that the range of possible outcomes considered in arriving at this judgement does not give rise to a material uncertainty casting significant doubt on the consolidated entity's ability to continue as a going concern.

The consolidated entity's priorities for the next 6 months:

1. Continue investment into its core technology; and
2. Realise revenues from partnerships, resellers and original equipment manufacturer ('OEM') agreements.

**Significant changes in the state of affairs**

During the financial half-year, the company completed a capital raise of \$6,693,878 (before costs) by issuing 35,230,924 ordinary shares.

There were no other significant changes in the state of affairs of the consolidated entity during the financial half-year.

**Matters subsequent to the end of the financial half-year**

No matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**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.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



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John Grant  
Chairman



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Paul MacRae  
Director

27 February 2020

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## Auditor's Independence Declaration

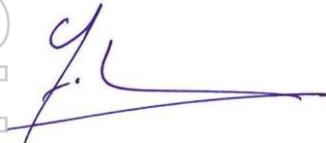
To the Directors of Firstwave Cloud Technology Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Firstwave Cloud Technology Limited for the year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



C F Farley  
Partner – Audit & Assurance

Sydney, 27 February 2020

## Firstwave Cloud Technology Limited

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31 December 2019

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### General information

The financial statements cover Firstwave Cloud Technology Limited (referred to as the 'company' or 'parent') as a consolidated entity consisting of Firstwave Cloud Technology Limited and the entities it controlled at the end of, or during, the half-year (referred to as the 'consolidated entity'). The financial statements are presented in Australian dollars, which is Firstwave Cloud Technology Limited's functional and presentation currency.

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

Level 10, 132 Arthur Street  
North Sydney, NSW 2060  
Australia

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 27 February 2020. The directors have the power to amend and reissue the financial statements.

**Firstwave Cloud Technology Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the half-year ended 31 December 2019**

|   |             | <b>Consolidated</b> |                    |
|---|-------------|---------------------|--------------------|
|   | <b>Note</b> | <b>31 Dec 2019</b>  | <b>31 Dec 2018</b> |
|   |             | <b>\$</b>           | <b>\$</b>          |
| <b>Revenue</b>  |             |                     |                    |
| Sales revenue   | 3           | 4,135,149           | 4,225,066          |
| Cost of sales   |             | <u>(1,897,969)</u>  | <u>(2,008,396)</u> |
| Gross profit  |             | <u>2,237,180</u>    | <u>2,216,670</u>   |
| Other income  | 4           | 521,636             | 452,081            |
| Interest revenue calculated using the effective interest method   |             | 26,941              | 29,352             |
| <b>Expenses</b>   |             |                     |                    |
| Sales and marketing   |             | (3,039,006)         | (3,524,739)        |
| Engineering and development   |             | (2,985,451)         | (1,765,121)        |
| General and administration  |             | (3,357,306)         | (3,244,055)        |
| Finance costs   |             | (75,022)            | (11,737)           |
| Total expenses  |             | <u>(9,456,785)</u>  | <u>(8,545,652)</u> |
| <b>Loss before income tax (benefit)/expense</b>   |             | (6,671,028)         | (5,847,549)        |
| Income tax (benefit)/expense  |             | -                   | (10,998)           |
| <b>Loss after income tax (benefit)/expense for the half-year attributable to the owners of Firstwave Cloud Technology Limited</b> |             | (6,671,028)         | (5,858,547)        |
| <b>Other comprehensive income</b>   |             |                     |                    |
| <i>Items that may be reclassified subsequently to profit or loss</i>  |             |                     |                    |
| Foreign currency translation  |             | (4,273)             | -                  |
| Other comprehensive income for the half-year, net of tax  |             | (4,273)             | -                  |
| <b>Total comprehensive income for the half-year attributable to the owners of Firstwave Cloud Technology Limited</b>              |             | <u>(6,675,301)</u>  | <u>(5,858,547)</u> |
|   |             | <b>Cents</b>        | <b>Cents</b>       |
| Basic earnings per share  | 15          | (2.28)              | (2.56)             |
| Diluted earnings per share  | 15          | (2.28)              | (2.56)             |

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

**Firstwave Cloud Technology Limited**  
**Statement of financial position**  
**As at 31 December 2019**

|                                      |             | <b>Consolidated</b> |                     |
|--------------------------------------|-------------|---------------------|---------------------|
|                                      | <b>Note</b> | <b>31 Dec 2019</b>  | <b>30 June 2019</b> |
|                                      |             | <b>\$</b>           | <b>\$</b>           |
| <b>Assets</b>                        |             |                     |                     |
| <b>Current assets</b>                |             |                     |                     |
| Cash and cash equivalents            |             | 4,063,193           | 8,061,168           |
| Trade and other receivables          | 5           | 921,916             | 1,029,353           |
| Contract assets                      |             | 128,957             | -                   |
| Other                                |             | 1,184,980           | 1,293,821           |
| <b>Total current assets</b>          |             | <u>6,299,046</u>    | <u>10,384,342</u>   |
| <b>Non-current assets</b>            |             |                     |                     |
| Property, plant and equipment        | 6           | 316,113             | 427,494             |
| Right-of-use assets                  | 7           | 611,738             | -                   |
| Intangibles                          | 8           | 5,895,667           | 4,568,979           |
| Other                                |             | 563,987             | 563,987             |
| <b>Total non-current assets</b>      |             | <u>7,387,505</u>    | <u>5,560,460</u>    |
| <b>Total assets</b>                  |             | <u>13,686,551</u>   | <u>15,944,802</u>   |
| <b>Liabilities</b>                   |             |                     |                     |
| <b>Current liabilities</b>           |             |                     |                     |
| Trade and other payables             |             | 2,222,247           | 2,596,317           |
| Contract liabilities                 | 9           | 1,127,486           | 3,553,775           |
| Employee benefits                    |             | 944,262             | 832,858             |
| Borrowings                           |             | 104,094             | 4,478               |
| Lease liabilities                    | 10          | 523,732             | -                   |
| Other                                | 11          | 240,759             | 240,759             |
| <b>Total current liabilities</b>     |             | <u>5,162,580</u>    | <u>7,228,187</u>    |
| <b>Non-current liabilities</b>       |             |                     |                     |
| Contract liabilities                 | 9           | 592,812             | 691,817             |
| Employee benefits                    |             | 129,654             | 95,728              |
| Provisions                           |             | 152,649             | 152,649             |
| Lease liabilities                    | 10          | 197,523             | -                   |
| Other                                | 11          | 319,061             | 767,061             |
| <b>Total non-current liabilities</b> |             | <u>1,391,699</u>    | <u>1,707,255</u>    |
| <b>Total liabilities</b>             |             | <u>6,554,279</u>    | <u>8,935,442</u>    |
| <b>Net assets</b>                    |             | <u>7,132,272</u>    | <u>7,009,360</u>    |
| <b>Equity</b>                        |             |                     |                     |
| Issued capital                       | 12          | 42,804,890          | 36,506,677          |
| Reserves                             |             | 3,232,219           | 2,736,492           |
| Accumulated losses                   |             | <u>(38,904,837)</u> | <u>(32,233,809)</u> |
| <b>Total equity</b>                  |             | <u>7,132,272</u>    | <u>7,009,360</u>    |

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

**Firstwave Cloud Technology Limited**  
**Statement of changes in equity**  
**For the half-year ended 31 December 2019**

| <b>Consolidated</b>  | <b>Issued capital</b><br><b>\$</b> | <b>Reserves</b><br><b>\$</b> | <b>Accumulated losses</b><br><b>\$</b> | <b>Total equity</b><br><b>\$</b> |
|--|------------------------------------|------------------------------|--|----------------------------------|
| Balance at 1 July 2018                                       | 25,231,669                         | 1,731,056                    | (21,226,472)                           | 5,736,253                        |
| Loss after income tax (benefit)/expense for the half-year    | -                                  | -                            | (5,858,547)                            | (5,858,547)                      |
| Other comprehensive income for the half-year, net of tax     | -                                  | -                            | -                                      | -                                |
| Total comprehensive income for the half-year                 | -                                  | -                            | (5,858,547)                            | (5,858,547)                      |
| <i>Transactions with owners in their capacity as owners:</i> |                                    |                              |  |                                  |
| Contributions of equity, net of transaction costs            | 3,409,976                          | -                            | -                                      | 3,409,976                        |
| Share-based payment expense                                  | -                                  | 120,000                      | -                                      | 120,000                          |
| Balance at 31 December 2018                                  | <u>28,641,645</u>                  | <u>1,851,056</u>             | <u>(27,085,019)</u>                    | <u>3,407,682</u>                 |
| <b>Consolidated</b>  | <b>Issued capital</b><br><b>\$</b> | <b>Reserves</b><br><b>\$</b> | <b>Accumulated losses</b><br><b>\$</b> | <b>Total equity</b><br><b>\$</b> |
| Balance at 1 July 2019                                       | 36,506,677                         | 2,736,492                    | (32,233,809)                           | 7,009,360                        |
| Loss after income tax (benefit)/expense for the half-year    | -                                  | -                            | (6,671,028)                            | (6,671,028)                      |
| Other comprehensive income for the half-year, net of tax     | -                                  | (4,273)                      | -                                      | (4,273)                          |
| Total comprehensive income for the half-year                 | -                                  | (4,273)                      | (6,671,028)                            | (6,675,301)                      |
| <i>Transactions with owners in their capacity as owners:</i> |                                    |                              |  |                                  |
| Contributions of equity, net of transaction costs (note 12)  | 6,298,213                          | -                            | -                                      | 6,298,213                        |
| Share-based payments   | -                                  | 500,000                      | -                                      | 500,000                          |
| Balance at 31 December 2019                                  | <u>42,804,890</u>                  | <u>3,232,219</u>             | <u>(38,904,837)</u>                    | <u>7,132,272</u>                 |

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

**Firstwave Cloud Technology Limited**  
**Statement of cash flows**  
**For the half-year ended 31 December 2019**

|   | Note | Consolidated<br>31 Dec 2019<br>\$ | 31 Dec 2018<br>\$           |
|---|------|-----------------------------------|-----------------------------|
| <b>Cash flows from operating activities</b>                           |      |                                   |                             |
| Receipts from customers (inclusive of GST)                            |      | 2,075,486                         | 4,404,055                   |
| Payments to suppliers and employees (inclusive of GST)                |      | (10,205,509)                      | (10,294,730)                |
| Interest received   |      | 26,941                            | 23,316                      |
| Interest and other finance costs paid                                 |      | (75,022)                          | (11,737)                    |
| Receipts from government grants                                       |      | -                                 | 894,589                     |
|   |      | <u>                    </u>       | <u>                    </u> |
| Net cash used in operating activities                                 |      | (8,178,104)                       | (4,984,507)                 |
| <b>Cash flows from investing activities</b>                           |      |                                   |                             |
| Payments for property, plant and equipment                            |      | (38,010)                          | (22,432)                    |
| Payments for intangibles  |      | (2,017,505)                       | (944,011)                   |
|   |      | <u>                    </u>       | <u>                    </u> |
| Net cash used in investing activities                                 |      | (2,055,515)                       | (966,443)                   |
| <b>Cash flows from financing activities</b>                           |      |                                   |                             |
| Proceeds from issue of shares   | 12   | 6,693,878                         | 3,654,000                   |
| Share issue transaction costs   | 12   | (395,665)                         | (244,024)                   |
| Repayment of lease liabilities  |      | (62,569)                          | (56,358)                    |
|   |      | <u>                    </u>       | <u>                    </u> |
| Net cash from financing activities                                    |      | 6,235,644                         | 3,353,618                   |
| Net increase/(decrease) in cash and cash equivalents                  |      | (3,997,975)                       | (2,597,332)                 |
| Cash and cash equivalents at the beginning of the financial half-year |      | 8,061,168                         | 5,782,873                   |
|   |      | <u>                    </u>       | <u>                    </u> |
| Cash and cash equivalents at the end of the financial half-year       |      | <u>4,063,193</u>                  | <u>3,185,541</u>            |

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

## Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

### New or amended Accounting Standards and Interpretations adopted

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

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

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

#### AASB 16 Leases

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

#### Impact of adoption

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption on opening retained profits as at 1 July 2019 was as follows:

|   | 1 July<br>2019<br>\$ |
|---|----------------------|
| Operating lease commitments as at 1 July 2019 (AASB 117)  | 1,020,612            |
| Operating lease commitments discount based on the weighted average incremental borrowing rate of 5% (AASB 16) | (48,323)             |
| Pre-existing unearned rent abatement as at 1 July 2019 (AASB 117)   | (192,943)            |
| Right-of-use assets (AASB 16)   | <u>779,346</u>       |
| Lease liabilities - current (AASB 16)   | (512,660)            |
| Lease liabilities - non-current (AASB 16)   | (459,629)            |
| De-recognition of unearned rent abatement as at 1 July 2019   | <u>192,943</u>       |
| Reduction in opening retained profits as at 1 July 2019   | <u><u>-</u></u>      |

#### Going concern

Based on its current commitments, the consolidated entity has sufficient funds to meet its debts as and when they fall due. Accordingly, the financial statements has been prepared on a going concern basis.

## Note 1. Significant accounting policies (continued)

The directors determined that the use of the going concern basis of accounting is appropriate in preparing the financial statements. The assessment of going concern is based on cash flow projections. The preparation of these projections incorporate a number of assumptions, considerations and judgements, and the directors have concluded that the range of possible outcomes considered in arriving at this judgement does not give rise to a material uncertainty casting significant doubt on the consolidated entity's ability to continue as a going concern.

### Right-of-use assets

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

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

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

### Lease liabilities

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

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

## Note 2. Operating segments

### Identification of reportable operating segments

The consolidated entity's operating segments are based on the internal reports that are reviewed and used by the Chief Executive Officer and the Board of Directors (being the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. Prior period information has also been appropriately rearranged to reflect segmental performance to facilitate comparison.

The CODM reviews segment revenue and consolidated adjusted EBITDA (earnings before interest, tax, depreciation and amortisation, excluding non-cash share-based payments expenses). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements. The information reported to the CODM is on a monthly basis.

The CODM does not review segment assets and liabilities.

### Types of products and services

The consolidated entity is organised into two operating segments as follows:

|               |  |
|---------------|--|
| Australia     | A geographical segment to identify development and sale of internet security software in the domestic market.      |
| International | A geographical segment to identify development and sale of internet security software in the international market. |

**Firstwave Cloud Technology Limited**  
**Notes to the financial statements**  
**31 December 2019**

**Note 2. Operating segments (continued)**

*Operating segment information*

|   | Australia        | International | Total              |
|---|------------------|---------------|--------------------|
|   | \$               | \$            | \$                 |
| <b>Consolidated - 31 Dec 2019</b>               |                  |               |                    |
| <b>Revenue</b>                                  |                  |               |                    |
| Sales to external customers                     | 4,071,679        | 63,470        | 4,135,149          |
| Interest revenue                                | 26,941           | -             | 26,941             |
| <b>Total revenue</b>                            | <u>4,098,620</u> | <u>63,470</u> | <u>4,162,090</u>   |
| Adjusted EBITDA                                 |                  |               | (5,116,591)        |
| Depreciation and amortisation                   |                  |               | (1,006,356)        |
| Interest revenue                                |                  |               | 26,941             |
| Finance costs                                   |                  |               | (75,022)           |
| Other non-cash expenses                         |                  |               | (500,000)          |
| <b>Loss before income tax (benefit)/expense</b> |                  |               | <u>(6,671,028)</u> |
| Income tax (benefit)/expense                    |                  |               | -                  |
| <b>Loss after income tax (benefit)/expense</b>  |                  |               | <u>(6,671,028)</u> |

|   | Australia        | International | Total              |
|---|------------------|---------------|--------------------|
|   | \$               | \$            | \$                 |
| <b>Consolidated - 31 Dec 2018</b>               |                  |               |                    |
| <b>Revenue</b>                                  |                  |               |                    |
| Sales to external customers                     | 4,220,503        | 4,563         | 4,225,066          |
| Interest revenue                                | 29,352           | -             | 29,352             |
| <b>Total revenue</b>                            | <u>4,249,855</u> | <u>4,563</u>  | <u>4,254,418</u>   |
| Adjusted EBITDA                                 |                  |               | (5,247,676)        |
| Depreciation and amortisation                   |                  |               | (617,488)          |
| Interest revenue                                |                  |               | 29,352             |
| Finance costs                                   |                  |               | (11,737)           |
| <b>Loss before income tax (benefit)/expense</b> |                  |               | <u>(5,847,549)</u> |
| Income tax (benefit)/expense                    |                  |               | (10,998)           |
| <b>Loss after income tax (benefit)/expense</b>  |                  |               | <u>(5,858,547)</u> |

**Note 3. Revenue**

|  | <b>Consolidated</b>     |                         |
|--|-------------------------|-------------------------|
|  | <b>31 Dec 2019</b>      | <b>31 Dec 2018</b>      |
|  | \$                      | \$                      |
| <b>Revenue from contracts with customers</b> |                         |                         |
| Licensing and support revenue                | 3,705,679               | 4,100,184               |
| Professional services revenue                | <u>429,470</u>          | <u>124,882</u>          |
| <b>Total revenue</b>                         | <u><u>4,135,149</u></u> | <u><u>4,225,066</u></u> |

**Note 3. Revenue (continued)**

*Disaggregation of revenue*

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

|                                      | <b>Consolidated</b> |                    |
|--------------------------------------|---------------------|--------------------|
|                                      | <b>31 Dec 2019</b>  | <b>31 Dec 2018</b> |
|                                      | \$                  | \$                 |
| <i>Timing of revenue recognition</i> |                     |                    |
| Licensing: over time                 | 1,805,619           | 2,281,342          |
| Support: over time                   | 1,900,060           | 1,818,842          |
| Professional services: point in time | 429,470             | 124,882            |
|                                      | <u>4,135,149</u>    | <u>4,225,066</u>   |

Revenue from external customers by geographic regions is set out in note 2.

**Note 4. Other income**

|                                       | <b>Consolidated</b> |                    |
|---------------------------------------|---------------------|--------------------|
|                                       | <b>31 Dec 2019</b>  | <b>31 Dec 2018</b> |
|                                       | \$                  | \$                 |
| Research and development grant income | 448,000             | 450,000            |
| Other                                 | 73,636              | 2,081              |
| Other income                          | <u>521,636</u>      | <u>452,081</u>     |

**Note 5. Trade and other receivables**

|  | <b>Consolidated</b> |                     |
|--|---------------------|---------------------|
|  | <b>31 Dec 2019</b>  | <b>30 June 2019</b> |
|  | \$                  | \$                  |
| <i>Current assets</i>                      |                     |                     |
| Trade receivables                          | 549,961             | 572,697             |
| Less: Allowance for expected credit losses | (54,559)            | (49,808)            |
|  | <u>495,402</u>      | <u>522,889</u>      |
| Other receivables                          | 60,858              | 11,179              |
| Receivable from key management personnel   | 221,520             | 221,520             |
| BAS receivable                             | 144,136             | 273,765             |
|  | <u>921,916</u>      | <u>1,029,353</u>    |

**Note 6. Property, plant and equipment**

|                                  | <b>Consolidated</b> |                     |
|----------------------------------|---------------------|---------------------|
|                                  | <b>31 Dec 2019</b>  | <b>30 June 2019</b> |
|                                  | \$                  | \$                  |
| <i>Non-current assets</i>        |                     |                     |
| Leasehold improvements - at cost | 647,510             | 800,159             |
| Less: Accumulated depreciation   | <u>(424,511)</u>    | <u>(453,893)</u>    |
|                                  | 222,999             | 346,266             |
| Computer equipment - at cost     | 466,543             | 429,850             |
| Less: Accumulated depreciation   | <u>(379,151)</u>    | <u>(354,417)</u>    |
|                                  | 87,392              | 75,433              |
| Computer platform - at cost      | 243,936             | 242,618             |
| Less: Accumulated depreciation   | <u>(238,214)</u>    | <u>(236,823)</u>    |
|                                  | 5,722               | 5,795               |
|                                  | <u>316,113</u>      | <u>427,494</u>      |

*Reconciliations*

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

| <b>Consolidated</b>             | Leasehold<br>improvements<br>\$ | Computer<br>equipment<br>\$ | Computer<br>platform<br>\$ | Total<br>\$     |
|---------------------------------|---------------------------------|-----------------------------|----------------------------|-----------------|
| Balance at 1 July 2019          | 346,266                         | 75,433                      | 5,795                      | 427,494         |
| Additions                       | -                               | 36,692                      | 1,318                      | 38,010          |
| Transfer to right-of-use assets | (58,515)                        | -                           | -                          | (58,515)        |
| Depreciation expense            | <u>(64,752)</u>                 | <u>(24,733)</u>             | <u>(1,391)</u>             | <u>(90,876)</u> |
| Balance at 31 December 2019     | <u>222,999</u>                  | <u>87,392</u>               | <u>5,722</u>               | <u>316,113</u>  |

**Note 7. Right-of-use assets**

|                                | <b>Consolidated</b> |                     |
|--------------------------------|---------------------|---------------------|
|                                | <b>31 Dec 2019</b>  | <b>30 June 2019</b> |
|                                | \$                  | \$                  |
| <i>Non-current assets</i>      |                     |                     |
| Right-of-use                   | 836,401             | -                   |
| Less: Accumulated depreciation | <u>(224,663)</u>    | <u>-</u>            |
|                                | <u>611,738</u>      | <u>-</u>            |

The consolidated entity has leased office premises under operating lease expiring in 1 to 2 years, with in certain instance options to extend. The lease has various escalation clauses. On renewal, the terms of the leases are renegotiated.

**Note 7. Right-of-use assets (continued)**

*Reconciliations*

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

| <b>Consolidated</b>                               | Office<br>Premises<br>\$ |
|---|--------------------------|
| Balance at 1 July 2019                            | -                        |
| Adoption of AASB 16 on 1 July 2019 (refer note 1) | 779,346                  |
| Transfer from property, plant and equipment       | 58,515                   |
| Exchange differences                              | (1,460)                  |
| Depreciation expense                              | (224,663)                |
|   | <u>611,738</u>           |
| Balance at 31 December 2019                       | <u>611,738</u>           |

**Note 8. Intangibles**

|   | Consolidated<br>31 Dec 2019<br>\$ | 30 June 2019<br>\$ |
|---|-----------------------------------|--------------------|
| <i>Non-current assets</i>                         |                                   |                    |
| Capitalised development costs - at cost           | 14,253,098                        | 12,336,080         |
| Less: Accumulated amortisation                    | (8,778,609)                       | (8,132,815)        |
|   | <u>5,474,489</u>                  | <u>4,203,265</u>   |
| Patents - at cost                                 | 163,657                           | 141,250            |
| Less: Accumulated amortisation                    | (104,746)                         | (89,605)           |
|   | <u>58,911</u>                     | <u>51,645</u>      |
| Information systems - at cost                     | 302,149                           | -                  |
| Less: Accumulated amortisation                    | (29,882)                          | -                  |
|   | <u>272,267</u>                    | <u>-</u>           |
| Information systems (under development) - at cost | 90,000                            | 314,069            |
|   | <u>5,895,667</u>                  | <u>4,568,979</u>   |

*Reconciliations*

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

| <b>Consolidated</b>         | Capitalised<br>development<br>costs<br>\$ | Patents<br>\$ | Information<br>systems<br>\$ | Information<br>systems<br>(under<br>development)<br>\$ | Total<br>\$      |
|-----------------------------|---|---------------|------------------------------|--|------------------|
| Balance at 1 July 2019      | 4,203,265                                 | 51,645        | -                            | 314,069  | 4,568,979        |
| Additions                   | 1,917,018                                 | 22,407        | 18,080                       | 60,000   | 2,017,505        |
| Transfers in/(out)          | -   | -             | 284,069                      | (284,069)  | -                |
| Amortisation expense        | (645,794)                                 | (15,141)      | (29,882)                     | -  | (690,817)        |
| Balance at 31 December 2019 | <u>5,474,489</u>                          | <u>58,911</u> | <u>272,267</u>               | <u>90,000</u>  | <u>5,895,667</u> |

**Note 9. Contract liabilities**

|                                | Consolidated<br>31 Dec 2019<br>\$ | 30 June 2019<br>\$ |
|--------------------------------|-----------------------------------|--------------------|
| <i>Current liabilities</i>     |                                   |                    |
| Contract liabilities           | 1,127,486                         | 3,553,775          |
| <i>Non-current liabilities</i> |                                   |                    |
| Contract liabilities           | 592,812                           | 691,817            |
|                                | <u>1,720,298</u>                  | <u>4,245,592</u>   |

*Reconciliation*

Reconciliation of the contract liabilities (current and non-current) during the current financial half-year are set out below:

|   | Consolidated<br>31 Dec 2019<br>\$ |
|---|-----------------------------------|
| Balance at 1 July 2019                                | 4,245,592                         |
| Payments received in advance                          | 530,133                           |
| Transfer to revenue - included in the opening balance | (2,743,039)                       |
| Transfer to revenue - other balances                  | (312,388)                         |
| Balance at 31 December 2019                           | <u>1,720,298</u>                  |

**Note 10. Lease liabilities**

|                                | Consolidated<br>31 Dec 2019<br>\$ | 30 June 2019<br>\$ |
|--------------------------------|-----------------------------------|--------------------|
| <i>Current liabilities</i>     |                                   |                    |
| Lease liability                | 523,732                           | -                  |
| <i>Non-current liabilities</i> |                                   |                    |
| Lease liability                | 197,523                           | -                  |
|                                | <u>721,255</u>                    | <u>-</u>           |

**Note 11. Other**

|  | Consolidated<br>31 Dec 2019<br>\$ | 30 June 2019<br>\$ |
|--|-----------------------------------|--------------------|
| <i>Current liabilities</i>               |                                   |                    |
| Deferred research and development income | 240,759                           | 240,759            |
| <i>Non-current liabilities</i>           |                                   |                    |
| Deferred research and development income | 319,061                           | 767,061            |
|  | <u>559,820</u>                    | <u>1,007,820</u>   |

**Note 12. Issued capital**

|                              | Consolidated      |                   |
|------------------------------|-------------------|-------------------|
|                              | 31 Dec 2019       | 30 June 2019      |
|                              | Shares            | Shares            |
|                              | \$                | \$                |
| Ordinary shares - fully paid | 316,036,629       | 280,805,705       |
|                              | <u>42,804,890</u> | <u>36,506,677</u> |

*Movements in ordinary share capital*

| Details                                   | Date             | Shares             | \$                |
|---|------------------|--------------------|-------------------|
| Balance                                   | 1 July 2019      | 280,805,705        | 36,506,677        |
| Issue of shares                           | 28 October 2019  | 34,683,567         | 6,589,878         |
| Issue of shares                           | 4 November 2019  | 547,357            | 104,000           |
| Share issue transaction costs, net of tax |                  | -                  | (395,665)         |
| Balance                                   | 31 December 2019 | <u>316,036,629</u> | <u>42,804,890</u> |

**Note 13. Dividends**

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

**Note 14. Fair value measurement**

The carrying amounts of trade and other receivables and trade and other payable approximate their fair values due to their short term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

**Note 15. Earnings per share**

|   | Consolidated       |                    |
|---|--------------------|--------------------|
|   | 31 Dec 2019        | 31 Dec 2018        |
|   | \$                 | \$                 |
| Loss after income tax attributable to the owners of Firstwave Cloud Technology Limited    | <u>(6,671,028)</u> | <u>(5,858,547)</u> |
|   | Number             | Number             |
| Weighted average number of ordinary shares used in calculating basic earnings per share   | <u>293,230,588</u> | <u>228,481,911</u> |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>293,230,588</u> | <u>228,481,911</u> |
|   | Cents              | Cents              |
| Basic earnings per share  | (2.28)             | (2.56)             |
| Diluted earnings per share  | (2.28)             | (2.56)             |

Options have been excluded in the weighted average number of shares used to calculate diluted earnings per share as they were anti-dilutive.

**Note 16. Events after the reporting period**

No matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**Firstwave Cloud Technology Limited**  
**Directors' declaration**  
**31 December 2019**

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the financial half-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.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



John Grant  
Chairman

27 February 2020



Paul MacRae  
Director

# Independent Auditor's Report

To the Members of Firstwave Cloud Technology Limited

Report on the review of the half year financial report

## Conclusion

We have reviewed the accompanying half year financial report of Firstwave Cloud Technology Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Firstwave Cloud Technology Limited does not give a true and fair view of the financial position of the Group as at 31 December 2019, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

## Directors' responsibility for the half year financial report

The Directors of the Company are responsible for the preparation of the half year 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 half year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

## Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Firstwave Cloud Technology Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Independence**

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



C F Farley  
Partner – Audit & Assurance

Sydney, 27 February 2020

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