

Firstwave Cloud Technology Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity: Firstwave Cloud Technology Limited
ABN: 35 144 733 595
Reporting period: For the year ended 30 June 2020
Previous period: For the year ended 30 June 2019

2. Results for announcement to the market

The consolidated entity has adopted Accounting Standard AASB 16 'Leases' for the year ended 30 June 2020 using the modified retrospective approach and as such the comparatives have not been restated.

			\$
Revenues from ordinary activities	down	6.6% to	8,252,880
Loss from ordinary activities after tax attributable to the owners of Firstwave Cloud Technology Limited	up	25.2% to	(13,777,481)
Loss for the year attributable to the owners of Firstwave Cloud Technology Limited	up	25.2% to	(13,777,481)

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 \$13,777,481 (30 June 2019: \$11,007,337).

Refer to the Directors' report for further commentary.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>1.34</u>	<u>0.87</u>

Net tangible assets calculations include right-of-use assets and lease liabilities.

4. 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.

5. Attachments

Details of attachments (if any):

The Annual Report of Firstwave Cloud Technology Limited for the year ended 30 June 2020 is attached.

6. Signed

As authorised by the Board of Directors

Signed _____

Date: 31 August 2020

John Grant
Executive Director and Chairman
Sydney

Firstwave Cloud Technology Limited

ABN 35 144 733 595

Annual Report - 30 June 2020

Firstwave Cloud Technology Limited
Directors' report
30 June 2020

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', 'FCT' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2020.

Directors

The following persons were directors of Firstwave Cloud Technology Limited during the whole of the financial 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
David Acton (appointed on 15 June 2020)
Simon Moore (resigned on 30 August 2019)
Sam Saba (resigned on 20 December 2019)

Principal activities

The principal continuing activities of the consolidated entity comprise of development and sale of internet security software.

Dividends

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

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$13,777,481 (30 June 2019: \$11,007,337).

Profit or loss performance

The consolidated entity's revenue for the year was \$8,252,880, which represents a decline of 6.6% over the prior comparative period ('PCP'). Licensing and support revenue declined by 12.7% for the year and represents 90% of total revenue. Professional services revenue was \$806,051 increasing 168% on PCP, representing 10% of total revenue.

The consolidated entity's loss after income tax amounted to \$13,777,481 (30 June 2019: loss of \$11,007,337). This result includes the full impact of the recognition of non-cash share-based payment expenses of \$2,134,044 (30 June 2019: \$1,009,962) due to stock options and share rights granted to employees and officers. The share-based payments expenses includes \$512,467 toward share rights issued in lieu of cash salary.

Statement of financial position

Cash and cash equivalents increased by \$7,220,170 to \$15,281,338 at 30 June 2020 (30 June 2019: \$8,061,168). This is supported by two capital raises throughout the year and a share purchase plan, totalling \$19,990,848 (net of expenses). Of this increase to cash and cash equivalents, \$8,700,779 represented cash outflows from operating activities (30 June 2019: \$6,345,820). Cash used in operating activities increased by \$2,354,959, up 37% from 30 June 2019, mainly attributed to the consolidated entity's investment to drive international expansion. Trade receivables of \$450,055 at 30 June 2020 (30 June 2019: \$572,697) have been substantially realised after the year end.

Product and development costs of \$3,670,991 have been capitalised during the year as an intangible asset in the consolidated entity's statement of financial position. The investment has increased 69% PCP from \$2,167,980 in FY19.

Significant changes in the state of affairs

During the financial year, the company completed capital raises totalling \$21,615,359 (before costs) by issuing 366,819,387 ordinary shares. Refer to note 21 for further details.

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

Matters subsequent to the end of the financial year

The Coronavirus (COVID-19) pandemic is ongoing and impacted performance of the consolidated entity's international operations in the second half by flattening the trajectory in revenue growth experienced through the first half. The consolidated entity has provided a prospective forward plan to investors and shareholders which assumes business activity levels will be restored to pre COVID-19 levels in all geographies by the beginning of the second quarter of FY21. This may well not be the case as the situation is unpredictable and as a consequence, so is the economic environment, the response that may come from our partners and end customers, and any impact this may have on our FY21 plan.

No other matter or circumstance has arisen since 30 June 2020 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.

Likely developments and expected results of operations

The consolidated entity's priorities for FY21 are:

- increasing investment in sales and marketing to expand the partner channel, to increase billing partners to 40 from 26 and improve conversion of opportunity to revenue;
- incentivising the consolidated entity's and partners' sales teams, streamlining and automating engagement with the consolidated entity's partners;
- investing into the product roadmap to add additional security appliances onto the Cloud Content Security Platform ('CCSP') and to add advanced detection and response capability to all offerings; and
- scaling platform infrastructure and customer operations to ensure 24/7 delivery for customers across the globe.

Environmental regulation

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

Information on directors

Information on the directors of the company as at 30 June 2020 is set out below:

Name:	John Grant
Title:	Executive Director and Chairman
Qualifications:	John has a degree in Engineering with Honours
Experience and expertise:	John has an extensive career spanning technology, engineering and construction and sports administration. He has held leadership positions including Managing Director and CEO of ASX listed technology company, Data#3 Limited, and inaugural Chair of the Australian Rugby League Commission. He is currently a Non-Executive Director of UniQuest Pty Ltd and Stadiums Queensland. He has also chaired or been a member of various industry and government advisory groups and industry associations.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Remuneration and Nomination Committee and member of the Audit, Risk and Compliance Committee
Interests in shares:	3,995,400 ordinary shares
Interests in options:	4,200,000 Options and 6,766,638 Service rights

Name:	Scott Lidgett
Title:	Non-Executive Director
Qualifications:	Scott holds formal qualifications in Engineering.
Experience and expertise:	Scott was a co-founder of Firstwave Cloud Technology Limited. He is also a co-founder of Lidcam Technology Pty Ltd and Channelworx Pty Ltd. Scott has been in the IT industry since the mid-1980s. Prior to Lidcam and Channelworx, Scott worked in corporate sales at Logical Solutions Pty Ltd, the leading reseller of Apple Computer products at the time. Channelworx, a leading IT distribution business, was acquired by US listed IT giant, Avnet Inc. in November 2007. In November 2009, Scott was involved in the formation of a new IT security business IPSec Pty Ltd, where he also serves as Chairman and Managing Director.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chairman of Remuneration and Nomination Committee and member of the Audit, Risk and Compliance Committee
Interests in shares:	21,296,712 ordinary shares
Interests in options:	1,200,000 Options and 2,040,740 Restricted rights

Firstwave Cloud Technology Limited
Directors' report
30 June 2020

Name: Paul MacRae
Title: Non-Executive Director
Qualifications: Paul is a Graduate of the Australian Institute of Company Directors and holds Business qualifications and a Bachelor of Science in Chemistry from The University of Glasgow.
Experience and expertise: Paul has a successful history of setting up and running businesses in the IT industry in Australia and overseas. Paul's background includes having run divisions of TechnologyOne Limited. Paul has a strong background in IT security, application software, software development, outsourcing, cloud computing and transactional systems. His roles have included establishing MessageLabs in Australia & NZ (which was acquired by Symantec to establish their cloud business). He set up the Global reservation system Galileo in New Zealand. He was involved in selling his successful SAP Consultancy and has been instrumental in growing business at several leading software companies.

Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: Chairman of the Audit, Risk and Compliance Committee and member of the Remuneration and Nomination Committee
Interests in shares: 3,682,084
Interests in options: 1,200,000 Options and 2,040,740 Restricted rights

Name: David Acton
Title: Non-Executive Director
Qualifications: David holds a Bachelor of Business in Accounting and Finance
Experience and expertise: David has been a senior advisor at Rothschild Australia with a focus on equity capital markets since 2017. Prior to 2017, David spent 25 years at global investment banks with roles in equity research, distribution and capital markets. Between 2000 and 2016, he worked at Goldman Sachs in New York, Singapore and Sydney as an equity specialist advising institutional investors. From 2006 to 2016, David was a partner at Goldman Sachs JBWere and a Managing Director at Goldman Sachs where he held board and risk committee roles.

Other current directorships: None
Former directorships (last 3 years): None
Interests in shares: None
Interests in options: 960,000 Restricted rights

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

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

Company secretary

Gai Stephens (BEC, LLB, LLM, GAICD, FCA, FTIA, FGIA) was appointed as company secretary on 30 November 2017. Gai is responsible for all of the legal and compliance issues associated with the consolidated entity. Previously she held the position of company secretary at Hills Limited for 4 years from 2012 until 2017 and company secretary and general counsel at Luxottica (formerly OPSM Group) for 20 years from 1992 until 2012. Gai has extensive knowledge in intellectual property maintenance, tax structuring, acquisitions and disposals, risk management, company secretarial and legal matters.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2020, and the number of meetings attended by each director were:

	Full Board		Remuneration and Nomination Committee		Audit, Risk and Compliance Committee	
	Attended	Held	Attended	Held	Attended	Held
John Grant	19	19	3	3	3	3
Scott Lidgett	19	19	3	3	3	3
Paul MacRae	18	19	3	3	3	3
David Acton	1	1	-	-	-	-
Simon Moore	2	2	-	-	1	1
Sam Saba	8	8	-	-	1	1

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Remuneration report (audited)

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

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

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

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

A major contributor to the performance of the consolidated entity is the quality of its directors and executives, and the Board is responsible for determining and reviewing their remuneration arrangements.

The consolidated entity's remuneration framework aims to attract, motivate, reward and retain high performing and high quality personnel, and consists of a level of fixed remuneration that is market competitive and appropriate in recognition of the role and the candidate's experience, and a level of variable remuneration that aligns with sustained increase in shareholder value and rewards performance for results delivered.

The Board of Directors is also cognisant of remuneration being within reasonable shareholder expectations and to best practice levels of transparency.

Non-executive directors remuneration

Fees and payments to non-executive directors ('NEDs') reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Board. The Board may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' remuneration and payments are appropriate and in line with the market.

The maximum amount of fees that can be paid to NEDs is capped by a pool approved by shareholders. At a General Meeting, held on 15 April 2016, shareholders approved the current fee pool of \$400,000 per annum which is recorded on an accrual basis. The fee pool and the base directors' fees did not change in FY2020. Grants of options approved by shareholders do not count towards this limit.

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 framework has four components:

- base pay and non-monetary benefits;
- short-term performance incentives (STI);
- long term incentives (LTI) in the form of share performance rights; and
- other remuneration such as superannuation and long service leave.

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

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

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

The short-term incentives program is designed to align the targets of the business units with the targets of those executives responsible for meeting those business unit targets. STI payments are granted to executives based on specific annual targets and key performance indicators (KPI's) being achieved. KPI's relate to qualitative and quantitative leadership performance and are subject to Board discretion. No STI was paid to KMP and other executives for the year ended 30 June 2020.

The long-term incentives are in the form of share performance rights and are awarded to executives with vesting period of one to four years. The Board reviewed the long-term equity-linked performance incentives specifically for executives during the year ended 30 June 2020.

The chairman's remuneration is determined independently to the remuneration of the 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.

Grant of share rights in lieu of reduced FY20 cash remuneration for executives

The consolidated entity has provided a one-off grant of share rights as compensation for the reduction in cash remuneration for KMP. The number of rights to be granted has been calculated by dividing the cash remuneration forgone by \$0.045 for directors and other KMP whose share rights were granted on 1 June, 2020 and \$0.10 (5 day VWAP) for directors and other KMP whose share rights were granted after 1 June, 2020. The share rights were formally granted at the Extraordinary General Meeting ('EGM') held on 29 July 2020. Each share right has been valued at the share price of 10.5 cents on grant date. Refer to 'share-based compensation' section below for further details.

Consolidated entity performance and link to remuneration

STIs were linked directly to performance with any payment requiring revenue to be achieved above target. This target was not achieved and consequently, none were paid. Any STIs and LTIs granted are at the discretion of the Board. The current share option plan is subject to participants meeting service conditions at the vesting date. There were no performance conditions linked to the share option plan.

Use of remuneration consultants

During the financial year ended 30 June 2020, the consolidated entity, through the Remuneration and Nomination Committee, engaged Godfrey Remuneration Group (GRG), remuneration consultants, to review its existing remuneration policies and provide recommendations on how to improve its remuneration structure. This resulted in the introduction of a share rights plan which was subsequently approved by shareholders at the Extraordinary General Meeting held on 29 July 2020. GRG was paid \$68,995 for these services.

An agreed set of protocols was put in place to ensure that the remuneration recommendations would be free from undue influence from key management personnel. These protocols include requiring that the consultant not communicate with affected key management personnel without a member of the Nomination and Remuneration Committee being present, and that the consultant not provide any information relating to the outcome of the engagement with the affected key management personnel. The Board is also required to make inquiries of the consultant's processes at the conclusion of the engagement to ensure that they are satisfied that any recommendations made have been free from undue influence. The Board is satisfied that these protocols were followed and as such there was no undue influence.

Voting and comments made at the company's 2019 Annual General Meeting ('AGM')

At the 2019 AGM, shareholders voted to approve the adoption of the remuneration report of the company for the year ended 30 June 2019. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

The KMP of the consolidated entity consisted of the directors of Firstwave Cloud Technology Limited and the following persons:

- David Kirton - Chief Executive Officer (resigned on 28 February 2020)
- Simon Ryan - Chief Technology Officer
- Neil Pollock - Chief Operating Officer
- Jason Singh - Chief Financial Officer (resigned on 28 February 2020)

Changes since the end of the reporting period:

Neil Pollock was appointed as Chief Executive Officer with effect from 31 July 2020.
Iain Bartram was appointed as the Chief Financial Officer with effect from 17 August 2020.

Firstwave Cloud Technology Limited
Directors' report
30 June 2020

Details of the remuneration of KMP of the consolidated entity are set out in the following tables:

	Short-term benefits		Termination benefits	Post-employment benefits	Long-term benefits	Share-based payments		Total
	Cash salary and fees	Other		Super-annuation	Long service leave	Cash settled	Equity-settled options/rights	
	\$	\$	\$	\$	\$	\$	\$	
2020								
<i>Non-Executive Directors:</i>								
John Grant* (Chairman)	184,499	-	-	21,003	-	-	571,469	776,971
Scott Lidgett	22,500	-	-	5,352	-	-	78,944	106,796
Paul MacRae	24,167	-	-	-	-	-	78,944	103,111
David Acton*	-	-	-	-	-	-	100,800	100,800
Simon Moore**	14,500	-	-	1,378	-	-	-	15,878
Sam Saba**	26,400	-	-	-	-	-	31,545	57,945
<i>Other Key Management Personnel:</i>								
David Kirton***	217,030	-	38,840	20,260	-	-	-	276,130
Simon Ryan	288,833	-	-	21,003	9,251	-	134,216	453,303
Neil Pollock	386,035	-	-	31,548	-	-	156,300	573,883
Jason Singh***	163,056	-	81,528	21,003	-	-	-	265,587
	1,327,020	-	120,368	121,547	9,251	-	1,152,218	2,730,404

* Represents remuneration from the date of appointment as KMP for John Grant on 1 July 2019 and David Acton on 15 June 2020.

** Represents remuneration up to the date of resignation as KMP for Simon Moore on 31 August 2019 and Sam Saba on 20 December 2019.

*** Represents remuneration up to the date of resignation as KMP for David Kirton and Jason Singh on 28 February 2020.

	Short-term benefits		Post-employment benefits	Long-term benefits	Share-based payments		Total
	Cash salary and fees	Other	Super-annuation	Long service leave	Cash settled	Equity-settled options/rights	
	\$	\$	\$	\$	\$	\$	
2019							
<i>Non-Executive Directors:</i>							
Sam Saba	96,000	-	-	-	-	42,293	138,293
Scott Lidgett	48,000	-	4,560	-	-	-	52,560
Paul MacRae	48,000	-	-	-	-	-	48,000
Simon Moore	58,000	-	5,510	-	-	3,037	66,547
Alexander Kelton	30,250	-	-	-	-	-	30,250
Edward Keating	2,190	-	-	-	-	-	2,190
<i>Other Key Management Personnel:</i>							
David Kirton	333,846	-	25,000	-	44,138	217,263	620,247
Simon Ryan	270,846	-	23,474	16,767	30,000	20,600	361,687
Neil Pollock	312,601	-	21,778	-	40,000	169,173	543,552
Jason Singh*	53,260	-	4,524	-	4,400	25,189	87,373
	1,252,993	-	84,846	16,767	118,538	477,555	1,950,699

* Jason Singh was appointed Chief Financial Officer on 11 April 2019.

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

Name	Fixed remuneration		STI		LTI	
	2020	2019	2020	2019	2020	2019
<i>Non-Executive Directors:</i>						
John Grant	26%	-	-	-	74%	-
Scott Lidgett	26%	100%	-	-	74%	-
Paul MacRae	23%	100%	-	-	77%	-
David Acton	-	-	-	-	100%	-
Simon Moore	100%	95%	-	-	-	5%
Sam Saba	46%	69%	-	-	54%	31%
Alexander Kelton	-	100%	-	-	-	-
Edward Keating	-	100%	-	-	-	-
<i>Other Key Management Personnel:</i>						
David Kirton	100%	58%	-	7%	-	35%
Simon Ryan	70%	86%	-	8%	30%	6%
Neil Pollock	73%	62%	-	7%	27%	31%
Jason Singh	100%	66%	-	5%	-	29%

Service agreements

The consolidated entity enters into employment agreements with each KMP. The employment agreements with the KMP are continuous (i.e. not of a fixed duration) and includes a minimum 4 weeks' notice on the part of the employee and the consolidated entity. The employment agreements contain substantially the same terms which include the usual statutory entitlements, typical confidentiality and intellectual property provisions intended to protect the consolidated entity's intellectual property rights and other proprietary information and non-compete clauses. Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares

There were no shares issued to directors and other KMP as part of compensation during the year ended 30 June 2020.

Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other KMP in this financial year or future reporting years are as follows:

Name	Number of options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
John Grant	1,400,000	20/11/2019	01/07/2020	19/11/2022	\$0.304	\$0.084
John Grant	1,400,000	20/11/2019	01/07/2021	19/11/2022	\$0.425	\$0.087
John Grant	1,400,000	20/11/2019	01/07/2022	19/11/2022	\$0.547	\$0.093

Options granted carry no dividend or voting rights.

Grant of share rights in lieu of reduced FY20 cash remuneration:

The consolidated entity has provided a one-off grant of share rights as compensation for the reduction in cash remuneration for KMP. The number of rights to be granted has been calculated by dividing the cash remuneration forgone by \$0.045 for directors and other KMP whose share rights were granted on 1 June, 2020 and \$0.10 (5 day VWAP) for directors and other KMP whose share rights were granted after 1 June, 2020. The share rights were formally granted at the Extraordinary General Meeting ('EGM') held on 29 July 2020. Each share right has been valued at the share price on grant date of 10.5 cents.

Pursuant to the Rights Plan the consolidated entity granted two types of share rights:

- Service rights to the Executive Chairman and Senior Executives; and
- Restricted rights to Non-Executive Directors.

Service rights: Directors and other KMPs sacrificed a portion of their salaries and fees for service rights and restricted rights. These rights vest on a quarterly basis at the end of each financial year quarter. The service rights are subject to service conditions and there are no performance conditions. The exercise price on the service rights is \$nil as these rights have been granted in lieu of salary sacrifice of the director's or other KMP's normal remuneration.

Restricted Rights: Restricted rights to NEDs vest on grant date and are not forfeited on resignation. The sale of the rights is restricted whether or not any Non-Executive Directors continues as a director until the expiration of three years from the date of grant.

As the service rights and restricted rights were acquired by Executives and Directors agreeing to forgo their salaries and fees the maximum allowable life of 15 years was adopted. The share rights issued during the year will not expire until June 2035.

The number of share rights approved subsequent to the financial year to each director and other KMP is set out below:

	Number of rights granted
Share rights over ordinary shares	
John Grant	6,766,638
Scott Lidgett	2,040,740
Paul MacRae	2,040,740
David Acton	960,000
Simon Ryan	4,278,681
Neil Pollock	1,903,296
	<u>17,990,095</u>

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Purchased during the year	Disposals/ other*	Balance at the end of the year
<i>Ordinary shares</i>					
John Grant	-	-	3,995,400	-	3,995,400
Sam Saba	876,623	-	-	(876,623)	-
Scott Lidgett	19,011,990	-	2,284,722	-	21,296,712
Paul MacRae	2,045,602	-	1,636,482	-	3,682,084
Simon Moore	4,358,386	-	-	(4,358,386)	-
David Kirton	142,857	-	-	(142,857)	-
Simon Ryan	4,615,000	-	1,000,000	-	5,615,000
Neil Pollock	-	-	340,162	-	340,162
	<u>31,050,458</u>	<u>-</u>	<u>9,256,766</u>	<u>(5,377,866)</u>	<u>34,929,358</u>

* Disposal/others represents shares held at resignation date.

Option holding

	Balance at the start of the year	Granted	Lapsed	Other*	Balance at the end of the year
<i>Options over ordinary shares</i>					
John Grant	-	4,200,000	-	-	4,200,000
Sam Saba	1,000,000	-	(666,667)	(333,333)	-
Scott Lidgett	1,200,000	-	-	-	1,200,000
Paul MacRae	1,200,000	-	-	-	1,200,000
David Acton	-	-	-	-	-
Simon Moore	1,000,000	-	-	(1,000,000)	-
David Kirton	5,998,000	-	(4,332,000)	(1,666,000)	-
Simon Ryan	1,500,000	-	(150,000)	-	1,350,000
Neil Pollock	4,000,000	-	-	-	4,000,000
Jason Singh	1,750,000	-	(500,000)	(1,250,000)	-
	<u>17,648,000</u>	<u>4,200,000</u>	<u>(5,648,667)</u>	<u>(4,249,333)</u>	<u>11,950,000</u>

* Others represents options held on resignation date.

No options were exercised during the year ended 30 June 2020.

Share rights over ordinary shares:

As detailed in the 'share-based compensation' section above, 17,990,095 share rights have been granted to KMP subsequent to the financial year end.

Loans to key management personnel and their related parties

An outstanding loan to Simon Ryan as at 30 June 2020 amounted to \$221,520 (2019: \$221,520). Interest is charged on the outstanding balance at 4.5% per annum. During the year ended 30 June 2020, interest of \$9,972 was received from Simon Ryan (2019: \$13,296) in respect of this loan.

This concludes the remuneration report, which has been audited.

Shares under option

There were 65,535,999 unissued ordinary shares of Firstwave Cloud Technology Limited under option including 30,000,000 options valued at \$1,830,000 granted to sub-underwriters in lieu of share-issue transaction costs towards capital raising undertaken during the year ended 30 June 2020 and 34,606,769 unissued ordinary shares under share rights outstanding at the date of this report. The options are exercisable at a weighted average exercise price of \$0.23 per option. Share rights have no exercise price as they have been issued in lieu of cash salary.

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

Shares issued on the exercise of options

There were no ordinary shares of Firstwave Cloud Technology Limited issued on the exercise of options during the year ended 30 June 2020 and up to the date of this report.

Indemnity and insurance of officers

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

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

Indemnity and insurance of auditor

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

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

Proceedings on behalf of the company

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

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 26 to the financial statements.

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

The directors are of the opinion that the services as disclosed in note 26 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants (including Independence Standards) issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Officers of the company who are former partners of Grant Thornton

There are no officers of the company who are former partners of Grant Thornton.

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 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

John Grant
Chairman

Paul MacRae
Director

31 August 2020
Sydney

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 audit of Firstwave Cloud Technology Limited for the year ended 30 June 2020, 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 audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



Grant Thornton Audit Pty Ltd
Chartered Accountants



C F Farley
Partner – Audit & Assurance

Sydney, 31 August 2020

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

www.grantthornton.com.au

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation.

Firstwave Cloud Technology Limited

Contents

30 June 2020

Statement of profit or loss and other comprehensive income	13
Statement of financial position	14
Statement of changes in equity	15
Statement of cash flows	16
Notes to the financial statements	17
Directors' declaration	46
Independent auditor's report to the members of Firstwave Cloud Technology Limited	47
Shareholder information	51
Corporate directory	53

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 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 31 August 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 year ended 30 June 2020

	Note	Consolidated 2020 \$	2019 \$
Revenue			
Sales revenue	4	8,252,880	8,831,731
Cost of sales	6	<u>(3,770,999)</u>	<u>(3,847,376)</u>
Gross profit		<u>4,481,881</u>	<u>4,984,355</u>
Other income	5	1,172,565	799,899
Interest revenue calculated using the effective interest method		48,761	56,165
Expenses			
Sales and marketing		(6,034,408)	(6,867,873)
Engineering and development		(7,153,789)	(4,079,335)
General and administration		(6,167,121)	(5,856,945)
Finance costs	6	<u>(125,370)</u>	<u>(43,603)</u>
Total expenses		<u>(19,480,688)</u>	<u>(16,847,756)</u>
Loss before income tax expense		(13,777,481)	(11,007,337)
Income tax expense	7	<u>-</u>	<u>-</u>
Loss after income tax expense for the year attributable to the owners of Firstwave Cloud Technology Limited		(13,777,481)	(11,007,337)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>(1,819)</u>	<u>(4,526)</u>
Other comprehensive income for the year, net of tax		<u>(1,819)</u>	<u>(4,526)</u>
Total comprehensive income for the year attributable to the owners of Firstwave Cloud Technology Limited		<u>(13,779,300)</u>	<u>(11,011,863)</u>
		Cents	Cents
Basic earnings per share	34	(4.24)	(4.46)
Diluted earnings per share	34	(4.24)	(4.46)

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 30 June 2020

	Note	Consolidated 2020 \$	2019 \$
Assets			
Current assets			
Cash and cash equivalents	8	15,281,338	8,061,168
Trade and other receivables	9	776,062	1,029,353
Contract assets		452,652	-
Other	13	1,265,875	1,293,821
Total current assets		<u>17,775,927</u>	<u>10,384,342</u>
Non-current assets			
Property, plant and equipment	10	228,928	427,494
Right-of-use assets	11	382,165	-
Intangibles	12	6,667,519	4,568,979
Other	13	192,016	563,987
Total non-current assets		<u>7,470,628</u>	<u>5,560,460</u>
Total assets		<u>25,246,555</u>	<u>15,944,802</u>
Liabilities			
Current liabilities			
Trade and other payables	14	3,068,781	2,596,317
Contract liabilities	15	3,046,578	3,553,775
Employee benefits	16	976,409	832,858
Borrowings	17	-	4,478
Lease liabilities	19	464,271	-
Other	20	429,264	240,759
Total current liabilities		<u>7,985,303</u>	<u>7,228,187</u>
Non-current liabilities			
Contract liabilities	15	592,812	691,817
Employee benefits	16	116,172	95,728
Provisions	18	152,649	152,649
Other	20	1,044,667	767,061
Total non-current liabilities		<u>1,906,300</u>	<u>1,707,255</u>
Total liabilities		<u>9,891,603</u>	<u>8,935,442</u>
Net assets		<u>15,354,952</u>	<u>7,009,360</u>
Equity			
Issued capital	21	54,667,525	36,506,677
Reserves	22	6,386,579	2,736,492
Accumulated losses		<u>(45,699,152)</u>	<u>(32,233,809)</u>
Total equity		<u>15,354,952</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 year ended 30 June 2020

Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2018	25,231,669	1,731,056	(21,226,472)	5,736,253
Loss after income tax expense for the year	-	-	(11,007,337)	(11,007,337)
Other comprehensive income for the year, net of tax	-	(4,526)	-	(4,526)
Total comprehensive income for the year	-	(4,526)	(11,007,337)	(11,011,863)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 21)	11,275,008	-	-	11,275,008
Share-based payments (note 35)	-	1,009,962	-	1,009,962
Balance at 30 June 2019	<u>36,506,677</u>	<u>2,736,492</u>	<u>(32,233,809)</u>	<u>7,009,360</u>
Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2019	36,506,677	2,736,492	(32,233,809)	7,009,360
Loss after income tax expense for the year	-	-	(13,777,481)	(13,777,481)
Other comprehensive income for the year, net of tax	-	(1,819)	-	(1,819)
Total comprehensive income for the year	-	(1,819)	(13,777,481)	(13,779,300)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 21)	18,160,848	-	-	18,160,848
Share-based payments (note 35)	-	2,134,044	-	2,134,044
Transfer to retained earnings	-	(312,138)	312,138	-
Fair value of options issued to sub-underwriters	-	1,830,000	-	1,830,000
Balance at 30 June 2020	<u>54,667,525</u>	<u>6,386,579</u>	<u>(45,699,152)</u>	<u>15,354,952</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 year ended 30 June 2020

	Note	Consolidated	
		2020	2019
		\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		8,334,102	12,040,951
Payments to suppliers and employees (inclusive of GST)		(18,130,837)	(19,335,535)
Interest received		48,761	56,165
Other income		1,172,565	961,646
Interest and other finance costs paid		<u>(125,370)</u>	<u>(69,047)</u>
Net cash used in operating activities	33	<u>(8,700,779)</u>	<u>(6,345,820)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(42,047)	(66,821)
Payments for intangibles		<u>(3,708,299)</u>	<u>(2,501,411)</u>
Net cash used in investing activities		<u>(3,750,346)</u>	<u>(2,568,232)</u>
Cash flows from financing activities			
Proceeds from issue of shares	21	21,615,359	11,822,000
Share issue transaction costs	21	(1,624,511)	(546,992)
Repayment of lease liabilities	33	<u>(319,553)</u>	<u>(82,661)</u>
Net cash from financing activities		<u>19,671,295</u>	<u>11,192,347</u>
Net increase in cash and cash equivalents		7,220,170	2,278,295
Cash and cash equivalents at the beginning of the financial year		<u>8,061,168</u>	<u>5,782,873</u>
Cash and cash equivalents at the end of the financial year	8	<u><u>15,281,338</u></u>	<u><u>8,061,168</u></u>

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

Note 1. Significant accounting policies

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

New or amended Accounting Standards and Interpretations adopted

The 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 adopted during the year are most relevant to the consolidated entity:

Interpretation 23 Uncertainty over Income Tax

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

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 accumulated losses as at 1 July 2019 was as follows:

	1 July 2019 \$
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>
Impact on opening accumulated losses as at 1 July 2019	<u><u>-</u></u>

When adopting AASB 16 from 1 July 2019, the group has applied the following practical expedients:

- applying a single discount rate to the portfolio of leases with reasonably similar characteristics;
- accounting for leases with a remaining lease term of 12 months as at 1 July 2019 as short-term leases;
- excluding any initial direct costs from the measurement of right-of-use assets;
- using hindsight in determining the lease term when the contract contains options to extend or terminate the lease; and
- not apply AASB 16 to contracts that were not previously identified as containing a lease.

Note 1. Significant accounting policies (continued)

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 report 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 report. The assessment of going concern is based on cash flow projections. The preparation of these projections incorporate a number of assumptions 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.

Basis of preparation

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

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 31.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Firstwave Cloud Technology Limited ('company' or 'parent entity') as at 30 June 2020 and the results of all subsidiaries for the year then ended. Firstwave Cloud Technology Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

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

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

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

Operating segments

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

Foreign currency translation

The financial statements are presented in Australian dollars, which is Firstwave Cloud Technology Limited's functional and presentation currency.

Foreign currency transactions

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

Note 1. Significant accounting policies (continued)

Foreign operations

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

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

Revenue recognition

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers

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

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

Licensing and support revenue

Recognition of licensing and support revenue commences upon provisioning of the contracted service. Provisioning entails the setting up of the customer on the entity's infrastructure and the rendering of prescribed professional services to the customer to enable the provision of the contracted service. As licensing is subscription based, license revenue and the related support service revenue is recognised over the term of the contract, commencing on the date of service activation.

Professional services revenue

Professional services are recognised on a milestone basis as per agreed terms and conditions in customer contracts and at least to the extent of recoverable costs incurred to date.

Interest

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

Government grants

Government grants are recognised at fair value where there is a reasonable certainty that the grant will be received upon meeting all grant terms and conditions. Grants that are meant to fund expenditure on research and development are recognised over the periods when these costs are written off to profit or loss. Grants related to assets are carried forward as deferred income at fair value and are credited to other income over the expected useful life of the asset on a straight line basis.

Prepayments

Prepayments are largely made up of back to back cost of licenses procured from upstream security vendors/channel partners. These prepayments are charged to profit and loss over a term that is between 12 and 48 months, co-termining with related license revenue recognised per revenue recognition policy stated above.

Income tax

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

Note 1. Significant accounting policies (continued)

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

Current and non-current classification

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

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

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

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

Cash and cash equivalents

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

Trade and other receivables

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

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

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

Contract assets

Contract assets are recognised when the consolidated entity has transferred goods or services to the customer but where the consolidated entity is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes.

Other financial assets

Other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Note 1. Significant accounting policies (continued)

Financial assets at amortised cost

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Property, plant and equipment

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

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

Leasehold improvements	3 years
Computer equipment	3-5 years
Computer platform	2-3 years

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

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

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

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.

Intangible assets

Intangible assets acquired are initially recognised at cost. 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.

Capitalised development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (including those arising from the development phase of an internal project) are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources and intent to complete the internal development; and their costs can be measured reliably.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite useful lives of 5 years.

Note 1. Significant accounting policies (continued)

Patents

Significant costs associated with patents are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite useful lives of 5 years.

Information systems

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

Impairment of non-financial assets

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

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

Trade and other payables

These amounts represent liabilities for goods and services provided to the 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.

Contract liabilities

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

Borrowings

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

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.

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.

Finance costs

Finance costs are expensed in the period in which they are incurred.

Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity 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.

Employee benefits

Short-term employee benefits

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

Note 1. Significant accounting policies (continued)

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

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments

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

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is determined using either the Binomial or 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, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

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

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

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

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

Fair value measurement

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

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

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.

Note 1. Significant accounting policies (continued)

Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

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

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

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

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

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2020. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

Conceptual Framework for Financial Reporting (Conceptual Framework)

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

Note 2. Critical accounting judgements, estimates and assumptions

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

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. The potential impact has been detailed in specific notes elsewhere in the report.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. Refer to note 35 for information regarding key assumptions.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed in note 9, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

Capitalised development costs

Distinguishing the research and development phases of a new customised product and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired.

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 the previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Impairment of non-financial assets

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

Income tax

The 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.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Note 3. 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.

Note 3. Operating segments (continued)

Major customers

During the year ended 30 June 2020, there was one major external customer (2019: one customer) where revenue exceeded 96% of the consolidated revenue. Total revenue from the customer for the year ended 30 June 2020 amounted to \$7,725,225 (2019: \$8,612,612).

Operating segment information

	Australia	International	Total
	\$	\$	\$
Consolidated - 2020			
Revenue			
Sales to external customers	7,866,679	386,201	8,252,880
Interest revenue	48,761	-	48,761
Total revenue	<u>7,915,440</u>	<u>386,201</u>	<u>8,301,641</u>
Adjusted EBITDA			(9,320,735)
Depreciation and amortisation			(2,246,093)
Interest revenue			48,761
Finance costs			(125,370)
Other non-cash expenses			(2,134,044)
Loss before income tax expense			<u>(13,777,481)</u>
Income tax expense			-
Loss after income tax expense			<u>(13,777,481)</u>
	Australia	International	Total
	\$	\$	\$
Consolidated - 2019			
Revenue			
Sales to external customers	8,817,796	13,935	8,831,731
Interest revenue	56,165	-	56,165
Total revenue	<u>8,873,961</u>	<u>13,935</u>	<u>8,887,896</u>
Adjusted EBITDA			(8,717,344)
Depreciation and amortisation			(1,292,593)
Interest revenue			56,165
Finance costs			(43,603)
Other non-cash expenses			(1,009,962)
Loss before income tax expense			<u>(11,007,337)</u>
Income tax expense			-
Loss after income tax expense			<u>(11,007,337)</u>

Note 4. Revenue from contracts with customers

	Consolidated	
	2020	2019
	\$	\$
Licensing and support revenue	7,446,829	8,531,088
Professional services revenue	<u>806,051</u>	<u>300,643</u>
Total revenue	<u><u>8,252,880</u></u>	<u><u>8,831,731</u></u>

Note 4. Revenue from contracts with customers (continued)

Disaggregation of revenue

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

	Consolidated	
	2020	2019
	\$	\$
<i>Timing of revenue recognition</i>		
Licensing: over time	3,915,238	5,029,544
Support: over time	3,531,591	3,501,544
Professional services: point in time	806,051	300,643
	<u>8,252,880</u>	<u>8,831,731</u>

Revenue from external customers by geographic regions is set out in note 3.

Note 5. Other income

	Consolidated	
	2020	2019
	\$	\$
Research and development grant income*	789,920	730,761
Other income**	382,645	69,138
Other income	<u>1,172,565</u>	<u>799,899</u>

* There are no unfulfilled conditions or other contingencies attached to the grant. The consolidated entity did not benefit directly from any other government assistance.

** Includes Australian Government grant of \$142,446 towards cash flow boost and other COVID-19 incentives and \$9,641 Singapore Government job support grant.

Note 6. Expenses

	Consolidated	
	2020	2019
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Cost of sales</i>		
Cost of licenses	3,770,999	3,847,376
<i>Depreciation</i>		
Leasehold improvements	129,503	167,224
Computer equipment	49,817	70,065
Computer platform	2,778	1,799
Right-of-use assets	454,236	-
Total depreciation	636,334	239,088
<i>Amortisation</i>		
Capitalised development costs	1,577,645	1,027,332
Patents	32,114	26,173
Total amortisation	1,609,759	1,053,505
Total depreciation and amortisation	2,246,093	1,292,593
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	-	43,603
Interest and finance charges paid/payable on lease liabilities	125,370	-
Finance costs expensed	125,370	43,603
<i>Net foreign exchange variance</i>		
Net foreign exchange variance	120,259	275,198
<i>Leases</i>		
Minimum lease payments	-	448,684
<i>Employee benefit expenses</i>		
Employee salaries and other benefits	12,192,213	10,878,728
Defined contribution superannuation expense	961,967	654,047
Share-based payments expenses*	2,134,044	1,009,962
Total Employee benefit expenses	15,288,224	12,542,737

* Includes salary sacrifice of \$512,467 (2019: \$nil)

Note 7. Income tax expense

	Consolidated 2020 \$	2019 \$
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(13,777,481)	(11,007,337)
Tax at the statutory tax rate of 27.5%	(3,788,807)	(3,027,018)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Amortisation of intangibles	415,901	282,516
Entertainment expenses	3,059	13,567
Non-deductible research and development incentive expenditure	1,629,390	832,768
Development costs	(988,050)	(640,464)
Deferred income	(217,228)	(200,959)
	(2,945,735)	(2,739,590)
Tax losses not recognised (including reversal of previously recognised tax losses)	2,590,202	2,328,158
Current year temporary differences not recognised	355,533	411,432
Income tax expense	-	-

	Consolidated 2020 \$	2019 \$
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	8,165,966	8,599,145
Potential tax benefit at statutory tax rates	2,245,641	2,364,765

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

Note 8. Cash and cash equivalents

	Consolidated 2020 \$	2019 \$
Cash at bank	15,281,338	8,061,168

Note 9. Trade and other receivables

	Consolidated 2020 \$	2019 \$
Trade receivables	450,055	572,697
Less: Allowance for expected credit losses	(95,934)	(49,808)
	354,121	522,889
Other receivables	59,290	11,179
Receivable from key management personnel	221,520	221,520
GST receivable	141,131	273,765
	776,062	1,029,353

Note 9. Trade and other receivables (continued)

Allowance for expected credit losses

The consolidated entity has recognised a loss of \$46,126 (2019: \$49,808) in profit or loss in respect of impairment of receivables for the year ended 30 June 2020.

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

Consolidated	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2020 %	2019 %	2020 \$	2019 \$	2020 \$	2019 \$
Not overdue	-	-	255,987	471,360	-	-
0 to 3 months overdue	3.000%	3.960%	69,387	18,283	2,082	724
3 to 6 months overdue	15.000%	15.000%	26,914	18,735	4,037	2,810
6 to 12 months overdue	30.000%	30.000%	11,360	25,779	3,408	7,734
Over 12 months overdue	100.000%	100.000%	55,112	38,540	55,112	38,540
Special provision	100.000%	-	31,295	-	31,295	-
			<u>450,055</u>	<u>572,697</u>	<u>95,934</u>	<u>49,808</u>

The consolidated entity has increased its monitoring of debt recovery as there is an increased probability of customers delaying payment or being unable to pay, due to the Coronavirus (COVID-19) pandemic. As a result, the calculation of expected credit losses has been revised as at 30 June 2020.

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

	Consolidated	
	2020 \$	2019 \$
Opening balance	49,808	22,206
Additional provisions recognised	46,126	49,808
Receivables written off during the year as uncollectable	-	(22,206)
Closing balance	<u>95,934</u>	<u>49,808</u>

Note 10. Property, plant and equipment

	Consolidated	
	2020 \$	2019 \$
Leasehold improvements - at cost	647,510	800,159
Less: Accumulated depreciation	<u>(489,262)</u>	<u>(453,893)</u>
	<u>158,248</u>	<u>346,266</u>
Computer equipment - at cost	470,579	429,850
Less: Accumulated depreciation	<u>(404,234)</u>	<u>(354,417)</u>
	<u>66,345</u>	<u>75,433</u>
Computer platform - at cost	243,936	242,618
Less: Accumulated depreciation	<u>(239,601)</u>	<u>(236,823)</u>
	<u>4,335</u>	<u>5,795</u>
	<u>228,928</u>	<u>427,494</u>

Note 10. Property, plant and equipment (continued)

Reconciliations

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

Consolidated	Leasehold improvements \$	Computer equipment \$	Computer platform \$	Total \$
Balance at 1 July 2018	513,490	83,457	2,814	599,761
Additions	-	62,041	4,780	66,821
Depreciation expense	(167,224)	(70,065)	(1,799)	(239,088)
Balance at 30 June 2019	346,266	75,433	5,795	427,494
Additions	-	40,729	1,318	42,047
Transfer to right-of-use assets	(58,515)	-	-	(58,515)
Depreciation expense	(129,503)	(49,817)	(2,778)	(182,098)
Balance at 30 June 2020	<u>158,248</u>	<u>66,345</u>	<u>4,335</u>	<u>228,928</u>

Note 11. Right-of-use assets

	Consolidated	
	2020	2019
	\$	\$
<i>Non-current assets</i>		
Right-of-use assets	836,401	-
Less: Accumulated depreciation	(454,236)	-
	<u>382,165</u>	<u>-</u>

The consolidated entity has leased office premises under operating leases expiring in one year, with in certain instances options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Reconciliations

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

Consolidated	Office premises \$
Balance at 1 July 2018	-
Balance at 30 June 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	(454,236)
Balance at 30 June 2020	<u>382,165</u>

Note 12. Intangibles

	Consolidated	
	2020	2019
	\$	\$
Capitalised development costs - at cost	16,231,139	12,336,080
Less: Accumulated amortisation	<u>(9,710,459)</u>	<u>(8,132,815)</u>
	6,520,680	4,203,265
Patents - at cost	178,558	141,250
Less: Accumulated amortisation	<u>(121,719)</u>	<u>(89,605)</u>
	56,839	51,645
Information systems (under development) - at cost	<u>90,000</u>	<u>314,069</u>
	<u>6,667,519</u>	<u>4,568,979</u>

Reconciliations

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

Consolidated	Capitalised development \$	Patents \$	Information systems (under development) \$	Total \$
Balance at 1 July 2018	3,062,617	58,456	-	3,121,073
Additions	2,167,980	19,362	314,069	2,501,411
Amortisation expense	<u>(1,027,332)</u>	<u>(26,173)</u>	-	<u>(1,053,505)</u>
Balance at 30 June 2019	4,203,265	51,645	314,069	4,568,979
Additions	3,670,991	37,308	-	3,708,299
Transfers in/(out)	224,069	-	(224,069)	-
Amortisation expense	<u>(1,577,645)</u>	<u>(32,114)</u>	-	<u>(1,609,759)</u>
Balance at 30 June 2020	<u>6,520,680</u>	<u>56,839</u>	<u>90,000</u>	<u>6,667,519</u>

Note 13. Other

	Consolidated	
	2020	2019
	\$	\$
<i>Current assets</i>		
Prepayments	1,132,099	1,160,045
Security deposits	<u>133,776</u>	<u>133,776</u>
	1,265,875	1,293,821
<i>Non-current assets</i>		
Prepayments	<u>192,016</u>	<u>563,987</u>
	<u>1,457,891</u>	<u>1,857,808</u>

Note 14. Trade and other payables

	Consolidated	
	2020	2019
	\$	\$
<i>Current liabilities</i>		
Trade payables	643,798	765,109
Accrued expenses	2,424,983	1,831,208
	<u>3,068,781</u>	<u>2,596,317</u>

Refer to note 24 for further information on financial instruments.

Note 15. Contract liabilities

	Consolidated	
	2020	2019
	\$	\$
<i>Current liabilities</i>		
Contract liabilities	3,046,578	3,553,775
<i>Non-current liabilities</i>		
Contract liabilities	592,812	691,817
	<u>3,639,390</u>	<u>4,245,592</u>

Reconciliation

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

	Consolidated	
	2020	2019
Opening balance	4,245,492	-
Recognised on adoption of AASB 15 on 1 July 2018	-	3,258,451
Payments received in advance	6,079,420	5,311,684
Transfer to revenue - included in the opening balance	(3,315,365)	(1,875,898)
Transfer to revenue - other balances	(3,370,157)	(2,448,645)
Closing balance	<u>3,639,390</u>	<u>4,245,592</u>

Note 16. Employee benefits

	Consolidated	
	2020	2019
	\$	\$
<i>Current liabilities</i>		
Annual leave	773,492	652,812
Long service leave	202,917	180,046
	<u>976,409</u>	<u>832,858</u>
<i>Non-current liabilities</i>		
Long service leave	116,172	95,728
	<u>1,092,581</u>	<u>928,586</u>

Note 17. Borrowings

	Consolidated	
	2020	2019
	\$	\$
<i>Current liabilities</i>		
Lease liability	-	4,478

Refer to note 24 for further information on financial instruments.

Total secured liabilities

The total secured liabilities are as follows:

	Consolidated	
	2020	2019
	\$	\$
Lease liability	-	4,478

Assets pledged as security

The lease liabilities are effectively secured as the rights to the leased assets, recognised in the statement of financial position, revert to the lessor in the event of default.

National Australia Bank ('NAB') lease facility

The consolidated entity has an asset leasing facility for \$300,000 with NAB. The facility is available on a revolving basis with repayment terms ranging from 1 to 3 years from the draw-down date.

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated	
	2020	2019
	\$	\$
Total facilities		
NAB lease facility	300,000	300,000
Corporate credit card facility	70,000	70,000
	<u>370,000</u>	<u>370,000</u>
Used at the reporting date		
NAB lease facility	-	4,478
Corporate credit card facility	-	-
	<u>-</u>	<u>4,478</u>
Unused at the reporting date		
NAB lease facility	300,000	295,522
Corporate credit card facility	70,000	70,000
	<u>370,000</u>	<u>365,522</u>

Note 18. Provisions

	Consolidated	
	2020	2019
	\$	\$
<i>Non-current liabilities</i>		
Lease make-good	152,649	152,649

Lease make-good

The provision represents the present value of the estimated costs to make good the premises leased by the consolidated entity at the end of the respective lease terms.

Note 19. Lease liabilities

	Consolidated	
	2020	2019
	\$	\$
<i>Current liabilities</i>		
Lease liability	464,271	-

Refer to note 24 for further information on financial instruments.

Note 20. Other

	Consolidated	
	2020	2019
	\$	\$
<i>Current liabilities</i>		
Deferred research and development income	429,264	240,759
<i>Non-current liabilities</i>		
Deferred research and development income	1,044,667	767,061
	<u>1,473,931</u>	<u>1,007,820</u>

Note 21. Issued capital

	2020 Shares	Consolidated 2019 Shares	2020 \$	2019 \$
Ordinary shares - fully paid	647,625,092	280,805,705	54,667,525	36,506,677
<i>Movements in ordinary share capital</i>				
Details	Date	Shares	\$	
Balance	1 July 2018	224,733,105	25,231,669	
Issue of shares	21 November 2018	1,086,957	250,000	
Issue of shares	6 December 2018	24,314,285	3,404,000	
Issue of shares	7 March 2019	3,000,000	420,000	
Issue of shares	2 April 2019	23,214,286	6,500,000	
Issue of shares	30 April 2019	4,457,072	1,248,000	
Share issue transaction costs, net of tax		-	(546,992)	
Balance	30 June 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	
Issue of shares	29 May 2020	78,759,156	3,544,162	
Issue of shares	29 May 2020	52,475,956	2,361,418	
Issue of shares	16 June 2020	200,353,351	9,015,901	
Share issue transaction costs, net of tax		-	(1,624,511)	
Options issued to sub-underwriters in lieu of transaction costs		-	(1,830,000)	
Balance	30 June 2020	647,625,092	54,667,525	

Ordinary shares

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

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

Share buy-back

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

Capital risk management

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

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

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

The consolidated entity will raise capital to support its growth strategy and to fund value adding projects that it deems necessary to maintain and enhance shareholder value. Any funds raised will be utilized in adherence with the governance principles underlying the consolidated entity's capital management policy under the authority of the board.

The capital risk management policy remains unchanged from the 30 June 2019 Annual Report.

Note 22. Reserves

	Consolidated	
	2020	2019
	\$	\$
Foreign currency reserve	(6,345)	(4,526)
Share-based payments reserve	6,392,924	2,741,018
	<u>6,386,579</u>	<u>2,736,492</u>

Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Movements in reserves

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

Consolidated	Foreign currency reserve \$	Share-based payments \$	Total \$
Balance at 1 July 2018	-	1,731,056	1,731,056
Foreign currency translation	(4,526)	-	(4,526)
Share-based payment expense	-	1,009,962	1,009,962
		<u>1,009,962</u>	<u>1,009,962</u>
Balance at 30 June 2019	(4,526)	2,741,018	2,736,492
Foreign currency translation	(1,819)	-	(1,819)
Share-based payment expense	-	2,134,044	2,134,044
Transfer to retained earnings	-	(312,138)	(312,138)
Fair value of options issued to sub-underwriters	-	1,830,000	1,830,000
		<u>1,830,000</u>	<u>1,830,000</u>
Balance at 30 June 2020	<u>(6,345)</u>	<u>6,392,924</u>	<u>6,386,579</u>

Note 23. Dividends

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

Note 24. Financial instruments

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market 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 consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange risk and ageing analysis for credit risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk

The consolidated entity is not exposed to any significant foreign currency risk.

Note 24. Financial instruments (continued)

Price risk

The consolidated entity is not exposed to any significant price risk.

Interest rate risk

The consolidated entity's main interest rate risk arises from cash at bank and borrowings. Bank balance and borrowings issued at variable rates expose the consolidated entity to interest rate risk. Borrowings obtained at fixed rates expose the consolidated entity to fair value interest rate risk. Borrowings comprise of lease liabilities with fixed interest rate.

An official increase/decrease in interest rates of 50 (2019:50) basis points would have an favourable/adverse effect on loss before tax of \$76,407 (2019: \$40,305) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts' forecasts.

Credit risk

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

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available. As disclosed in note 9, due to the Coronavirus (COVID-19) pandemic, the calculation of expected credit losses has been revised as at 30 June 2020.

The consolidated entity has a credit risk exposure with one major customer, which as at 30 June 2020 owed the consolidated entity \$187,592 (43% of trade receivables) (2019: \$432,573 (76% of trade receivables)). Despite the impact that the Coronavirus (COVID-19) pandemic has had on this major Australian retailer, this balance was within its terms of trade and no impairment was made as at 30 June 2020. This balance was within its terms of trade and no impairment was made as at 30 June 2020. There are no guarantees against this receivable but management closely monitors the receivable balance on a monthly basis and is in regular contact with this customer to mitigate risk.

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

Liquidity risk

Vigilant liquidity risk management requires the 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.

Financing arrangements

Unused borrowing facilities at the reporting date:

	Consolidated	
	2020	2019
	\$	\$
NAB lease facility	300,000	295,522
Corporate credit card facility	70,000	70,000
	<u>370,000</u>	<u>365,522</u>

Note 24. Financial instruments (continued)

Remaining contractual maturities

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

		1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Consolidated - 2020						
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	643,798	-	-	-	643,798
<i>Interest-bearing - fixed rate</i>						
Lease liability	5.00%	537,319	-	-	-	537,319
Total non-derivatives		<u>1,181,117</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,181,117</u>

		1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Consolidated - 2019						
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	765,109	-	-	-	765,109
<i>Interest-bearing - fixed rate</i>						
Lease liability	5.00%	4,498	-	-	-	4,498
Total non-derivatives		<u>769,607</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>769,607</u>

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

Note 25. 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 26. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Grant Thornton, the auditor of the company:

	Consolidated	
	2020	2019
	\$	\$
<i>Audit services - Grant Thornton</i>		
Audit or review of the financial statements	<u>115,000</u>	<u>118,000</u>
<i>Other services - Grant Thornton</i>		
Taxation services	<u>12,730</u>	<u>19,260</u>
	<u><u>127,730</u></u>	<u><u>137,260</u></u>

Note 27. Contingent liabilities

The consolidated entity has given bank guarantees as at 30 June 2020 of \$133,776 (2019: \$133,776) to various landlords.

Note 28. Commitments

	Consolidated	
	2020	2019
	\$	\$
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	-	436,584
One to five years	-	366,566
	<u>-</u>	<u>803,150</u>
<i>Lease commitments - finance</i>		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	-	4,498
Total commitment	-	4,498
Less: Future finance charges	-	(20)
Net commitment recognised as liabilities	<u>-</u>	<u>4,478</u>

At 30 June 2020, lease commitments are disclosed as \$nil due to the adoption of AASB 16 'Leases' with effect from 1 July 2019 as detailed in note 1.

Note 29. Key management personnel disclosures

Compensation

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

	Consolidated	
	2020	2019
	\$	\$
Short-term employee benefits	1,327,020	1,371,531
Post-employment benefits	121,547	84,846
Long-term benefits	9,251	16,767
Termination benefits	120,368	-
Share-based payments	1,152,218	477,555
	<u>2,730,404</u>	<u>1,950,699</u>

Note 30. Related party transactions

Parent entity

Firstwave Cloud Technology Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 32.

Key management personnel

Disclosures relating to key management personnel are set out in note 29 and the remuneration report included in the directors' report.

Note 30. Related party transactions (continued)

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2020	2019
	\$	\$
Sale of goods and services:		
Sale of services to a director related entity of Simon Moore	1,020	4,079
Other income:		
Interest received from key management personnel	9,972	13,296
Payment for goods and services:		
Payment for services from a director related entity of Scott Lidgett	-	11,550

Receivable from and payable to related parties

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

Loans to/from related parties

The following balances are outstanding at the reporting date in relation to loans with related parties:

	Consolidated	
	2020	2019
	\$	\$
Current receivables:		
Loan to key management personnel*	221,520	221,520

* Unsecured loan provided to key management personnel. Interest is charged on outstanding balance at 4.5% (2019: 4.5%) per annum.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 31. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2020	2019
	\$	\$
Loss after income tax	(1,761,228)	(505,103)
Total comprehensive income	(1,761,228)	(505,103)

Note 31. Parent entity information (continued)

Statement of financial position

	Parent	
	2020 \$	2019 \$
Total current assets	-	-
Total assets	50,645,346	32,415,726
Total current liabilities	-	-
Total liabilities	-	-
Equity		
Issued capital	54,667,525	36,506,677
Share-based payments reserve	1,830,000	-
Accumulated losses	(5,852,179)	(4,090,951)
Total equity	<u>50,645,346</u>	<u>32,415,726</u>

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2020 and 30 June 2019.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2020 and 30 June 2019.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2020 and 30 June 2019.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 32. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2020 %	2019 %
First Wave Technology Pty Ltd	Australia	100%	100%
Firstwave Global Pty Ltd	Australia	100%	100%
Firstwave Cloud Technology Inc.	The United States of America	100%	100%
Firstwave Cloud Technology (Singapore) Ltd	Singapore	100%	100%

Note 33. Cash flow information

Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2020	2019
	\$	\$
Loss after income tax expense for the year	(13,777,481)	(11,007,337)
Adjustments for:		
Depreciation and amortisation	2,246,093	1,292,593
Share-based payments - employees	2,134,044	1,009,962
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(20,474)	1,068,559
Increase in contract assets	(452,652)	-
Decrease in prepayments	399,917	41,427
Decrease in other operating assets	273,765	450
Increase/(decrease) in trade and other payables	472,105	(259,360)
Increase/(decrease) in contract liabilities	(606,202)	4,245,592
Increase in employee benefits	163,995	195,170
Increase/(decrease) in other operating liabilities	466,111	(2,932,876)
Net cash used in operating activities	<u>(8,700,779)</u>	<u>(6,345,820)</u>

Non-cash investing and financing activities

	Consolidated	
	2020	2019
	\$	\$
Fair value of options issued to sub underwriters due to share issue transaction cost	<u>1,830,000</u>	<u>-</u>

Changes in liabilities arising from financing activities

Consolidated	Lease liability
	\$
Balance at 1 July 2018	87,139
Net cash used in financing activities	<u>(82,661)</u>
Balance at 30 June 2019	4,478
Adoption of AASB 16 on 1 July 2019	779,346
Net cash used in financing activities	<u>(319,553)</u>
Balance at 30 June 2020	<u>464,271</u>

Note 34. Earnings per share

	Consolidated	
	2020	2019
	\$	\$
Loss after income tax attributable to the owners of Firstwave Cloud Technology Limited	<u>(13,777,481)</u>	<u>(11,007,337)</u>

Note 34. Earnings per share (continued)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	324,615,175	246,617,998
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>324,615,175</u>	<u>246,617,998</u>
	Cents	Cents
Basic earnings per share	(4.24)	(4.46)
Diluted earnings per share	(4.24)	(4.46)

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

Note 35. Share-based payments

The consolidated entity has a share option plan to incentivise certain employees and key management personnel. The share option plan is subject to participants meeting service condition (continuous employment with the consolidated entity) at the vesting date. The options are issued for nil consideration. There are no performance conditions.

During the financial year 4,950,000 options and 34,606,769 share rights were granted (2019: 22,698,000 options). The share-based payment expense for the year was \$2,134,044 (2019: \$1,009,962).

In addition, 30,000,000 options valued at \$1,830,000 were granted to sub-underwriters in lieu of share-issue transaction costs toward capital raising undertaken during the year ended 30 June 2020.

Movements in share awards during the year

The following table illustrates the number of awards and weighted average exercise prices ('WAEP') of, and movements in, share awards during the current and previous year:

	Number 30 June 2020	Number 30 June 2019	WAEP 30 June 2020	WAEP 30 June 2019
Movement in share options including share rights				
Balance at the beginning of the year	38,951,333	19,520,000	\$0.400	\$0.360
Options granted during the year	4,950,000	22,698,000	\$0.430	\$0.420
Share rights granted during the year	34,606,769	-	\$0.000	\$0.000
Options granted to sub-underwriters	30,000,000	-	\$0.050	\$0.000
Forfeited during the year	(8,365,334)	(3,266,667)	\$0.490	\$0.300
Exercised during the year	-	-	\$0.000	\$0.000
Expired during the year	-	-	\$0.000	\$0.000
Balance at the end of the year	<u>100,142,768</u>	<u>38,951,333</u>		

22,452,664 options and 11,628,094 share rights were vested and exercisable as at 30 June 2020 (2019: 15,186,700 options)

The weighted average share price of the company during the financial year was \$0.14 (2019: \$0.25). The weighted average remaining contractual life of options outstanding at the end of the financial year was 3.57 years (2019: 4.77 years).

Note 35. Share-based payments (continued)

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

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
20/11/2019	01/07/2023	\$0.150	\$0.304	103.000%	-	1.750%	\$0.084
20/11/2019	01/07/2024	\$0.150	\$0.425	103.000%	-	1.750%	\$0.087
20/11/2019	01/07/2025	\$0.150	\$0.547	103.000%	-	1.750%	\$0.093
12/12/2019	01/07/2023	\$0.150	\$0.304	103.000%	-	1.750%	\$0.084
12/12/2019	01/07/2024	\$0.150	\$0.425	103.000%	-	1.750%	\$0.087
12/12/2019	01/07/2025	\$0.150	\$0.547	103.000%	-	1.750%	\$0.093

Share right plan 2020 ('Rights Plan')

As noted above, the consolidated entity introduced a new share rights plan. The share rights were issued to directors and senior executives subject to shareholder approval of the Rights Plan and specific approval of the rights to be granted to directors. Shareholders approved the Rights Plan at an Extraordinary General Meeting held on 29 July 2020.

Pursuant to the Rights Plan the consolidated entity granted two types of share rights:

- Service rights to the Executive Chairman and Senior Executives; and
- Restricted rights to Non-Executive Directors.

Executives and directors salary sacrificed their salaries and fees for service rights and restricted rights. In respect of the service rights – these rights vest on a quarterly basis at the end of each financial year quarter. The service rights are subject to service condition and there are no performance conditions. The exercise price on the service rights are \$ Nil as these rights have been granted in lieu of cash salary.

Restricted Rights to Non-Executive Directors: Restricted Rights vest on grant and are not forfeited on resignation. The sale of the rights is restricted whether or not the Non-Executive Directors continue as a director until the expiration of three years from the date of grant.

As the Service Rights and Restricted Rights were acquired by Executives and Directors agreeing to forgo their salaries and fees the maximum allowable life of 15 years was adopted. The share rights issued during the year will not expire until June 2035.

Share right valuation: The share rights were formally granted at the Extra Ordinary General Meeting ('EGM') held on 29 July 2020. Each share right has been valued at the share price on grant date of 10.5 cents.

Sub-underwriter options:

As part of capital raising in May 2020, 30 million options valued at \$1,830,000 were granted to sub-underwriters. The options were formally approved at the company EGM held on 29 July 2020. The valuation model inputs used to determine the fair value at the grant date is as follows.

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility %	Dividend yield	Risk-free interest rate %	Fair value at grant date
29/07/2020	29/07/2021	\$0.105	\$0.05	82.00%	-	1.75%	\$0.061

Note 36. Events after the reporting period

The Coronavirus (COVID-19) pandemic is ongoing and impacted performance of the consolidated entity's international operations in the second half by flattening the trajectory in revenue growth experienced through the first half. The consolidated entity has provided a prospective forward plan to investors and shareholders which assumes business activity levels will be restored to pre COVID-19 levels in all geographies by the beginning of the second quarter of FY21. This may well not be the case as the situation is unpredictable and as a consequence, so is the economic environment, the response that may come from our partners and end customers, and any impact this may have on our FY21 plan.

No other matter or circumstance has arisen since 30 June 2020 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
30 June 2020

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 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 2020 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the directors

John Grant
Chairman

Paul MacRae
Director

31 August 2020
Sydney

Independent Auditor's Report

To the Members of Firstwave Cloud Technology Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Firstwave Cloud Technology Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

- a giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the year ended on that date; and
- b 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 auditor independence requirements of 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 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.

Key audit matter	How our audit addressed the key audit matter
<p>Going Concern (Note 1)</p> <p>The Group made a loss of \$13,777,481 and had net cash used in operating activities of \$8,700,779 for the year ended 30 June 2020, and had accumulated losses of \$45,699,152 as at 30 June 2020. Proceeds from the issue of shares totalled \$21,615,359 during the year, and the Group had a cash balance of \$15,281,338 as at 30 June 2020.</p> <p>Given the level of losses, the Group's use of the going concern basis of accounting and the associated extent of uncertainty is a key audit matter due to the high level of judgment required in evaluating the Group's assessment of going concern.</p> <p>The Directors have determined that the use of the going concern basis of accounting is appropriate in preparing the financial report. Their assessment of going concern was based on cash flow projections. The preparation of these projections incorporated a number of assumptions and judgments, and the Directors have concluded that the range of possible outcomes considered in arriving at this judgment provides support over the Group's ability to continue as a going concern.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Obtaining and reviewing management's cash flow forecast to assess whether current cash levels can sustain operations for a period of at least 12 months from the date of signing the financial statements; • Agreeing year end cash balances to third party independent confirmations received to gain comfort around the opening balances used in the cash flow forecast; • Assessing the Group's current level of income and expenditure against management's forecast for consistency of relationships and trends to the historical results, and results since year end; • Performing sensitivity analysis on the significant inputs and assumptions made by management in preparing its cash flow forecast; and • Assessing the adequacy of the related disclosures within the financial report.
<p>Revenue recognition (Note 4)</p> <p>Revenue of \$8,252,880 has been recognised during the year ended 30 June 2020, and contract assets of \$452,652 and contract liabilities of \$3,046,578 have been included in the statement of financial position.</p> <p>This is a key audit matter given the management judgement involved in applying the revenue recognition policy and the complexities around accounting for income received in advance.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Assessing the revenue recognition policies for appropriateness and compliance with AASB 15: <i>Revenue from Contracts with Customers</i>; • Comparing revenue by month and across each revenue stream to prior periods in order to identify and follow up on unusual trends; • Testing a sample of revenue transactions for each revenue stream by tracing through to service agreement to identify contract terms, and evaluating revenue recognition for compliance with AASB 15; • Testing a sample of transactions near period end to assess whether the related revenue has been recognised in the appropriate period; and • Assessing the adequacy of related disclosures in the financial statements.
<p>Capitalised product development costs (Note 12)</p> <p>Capitalised product development costs had a net carrying value of \$6,520,680 at 30 June 2020.</p> <p>During the year the Group capitalised \$3,670,991 of project development costs. These intangible assets are being amortised over a 5 year period, and an amortisation expense of \$1,577,645 has been included in the statement of profit or loss and other comprehensive income.</p> <p>AASB 138: <i>Intangible Assets</i> sets out the specific requirements to be met in order to capitalise development costs. Intangible assets should be amortised over their useful economic lives in accordance with AASB 138.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Assessing the Group's accounting policy in respect of product development costs for adherence to AASB 138; • Evaluating management's assessment of each project for compliance with the recognition criteria set out in AASB 138; including discussing project plans with management and project leaders to develop an understanding of nature and feasibility of key projects at 30 June 2020; • Testing a sample of costs capitalised by tracing to underlying support such as vendor invoices and payroll

Key audit matter

This area is a key audit matter due to subjectivity and management judgement applied in the assessment of whether costs meet the development phase criteria described in AASB 138 and in relation to the estimate of the assets' useful lives.

How our audit addressed the key audit matter

records in order to understand the nature of the item and whether the expenditure was attributable to the development of the related asset, and therefore whether capitalisation was in accordance with the recognition criteria of AASB 138;

- Assessing the company's review of impairment indicators in accordance with AASB 136: *Impairment of Assets*;
- Evaluating the reasonableness of useful lives to be applied in future reporting periods; and
- Assessing the adequacy of related disclosures in the financial statements.

Share-based Payments (Note 35)

In the current year the Group granted share based payments in the form of Performance Rights, Services Rights and Restricted Rights to Directors in lieu of Directors' fees and to employees in lieu of salary. The rights vest subject to the achievement of certain vesting conditions. An expense of \$1,266,783 has been included in the statement of profit or loss and other comprehensive income.

Due to the complex and judgmental estimates used in determining the valuation of the share based payments and vesting expense, we considered the Group's calculation of the share based payment expense to be a key audit matter.

Our procedures included, amongst others:

- Agreeing the issue of rights to the related agreements;
- Verifying the grant date of the rights, the fair value of the rights, and evaluating and challenging management's judgements regarding vesting conditions; and
- Assessing the adequacy of related disclosures in the financial statements.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and our 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 at: https://www.auasb.gov.au/auditors_responsibilities/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 4 to 9 of the Directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Firstwave Cloud Technology Limited, for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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



Grant Thornton Audit Pty Ltd
Chartered Accountants



C F Farley
Partner – Audit & Assurance

Sydney, 31 August 2020

Firstwave Cloud Technology Limited
Shareholder information
30 June 2020

The shareholder information set out below is applicable as at 19 August 2020.

Distribution of equitable securities

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

	Number of holders of ordinary shares	Number of holders of options/rights over ordinary shares
1 to 1,000	1,638	-
1,001 to 5,000	239	-
5,001 to 10,000	250	-
10,001 to 100,000	1,025	86
100,001 and over	744	72
	<u>3,896</u>	<u>158</u>
Holding less than a marketable parcel	<u>1,801</u>	<u>-</u>

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Number held	Ordinary shares % of total shares issued
NATIONAL NOMINEES LIMITED	49,593,385	7.66
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	21,191,083	3.27
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED (A/C 2)	18,528,437	2.86
MR SCOTT LIDGETT + MRS KATHERINE LIDGETT (LIDGETT SUPER FUND A/C)	17,552,290	2.71
MR GREG MAREN + MRS GERALDINE MAREN (MAREN SUPER FUND A/C)	17,278,297	2.67
CS THIRD NOMINEES PTY LIMITED (HSBC CUST NOM AU LTD 13 A/C)	14,640,000	2.26
PATAGORANG PTY LTD (THE ROGER ALLEN FAMILY A/C)	11,197,948	1.73
BNP PARIBAS NOMS PTY LTD (DRP)	8,481,887	1.31
MR DAVID ROTHWELL	8,289,243	1.28
EREMITE PTY LTD (JAMIESON FAMILY A/C)	7,853,961	1.21
WILLROTH PTY LTD (THE WILLROTH A/C)	7,643,815	1.18
BARNEY & ALIEN CONSOLIDATED PTY LTD (JOINT DEV RESOURCE INV A/C)	6,742,808	1.04
RTEC (NSW) PTY LTD (RTEC TRADING A/C)	5,659,284	0.87
MR EDWARD TIMOTHY KEATING + MRS LINDA JOY KEATING	5,588,888	0.86
QOC FOUNDERS NOMINEES PTY LIMITED	5,572,114	0.86
MR WILLIAM ROBERT CARTER + MS SARAH VICTORIA WILLIAMS	4,860,000	0.75
HAYETI HOLDINGS PTY LTD (HAYETI A/C)	4,318,108	0.67
MR JAMES BROOMHEAD	4,305,207	0.66
OLD DILKARA PTY LTD (J & N OLDROYD S/F A/C)	4,000,000	0.62
MR BARRIE WOODLEY + MRS NOLA JEAN PRISK (SUPER FUND A/C)	4,000,000	0.62
	<u>227,296,755</u>	<u>35.09</u>

Firstwave Cloud Technology Limited
Shareholder information
30 June 2020

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares	65,535,999	155
Share rights over ordinary shares	34,606,769	20

Substantial holders

Substantial holders in the company are set out below:

	Number held	Ordinary shares % of total shares issued
PERENNIAL VALUE MANAGEMENT LIMITED	51,927,430	8.02

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

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

There are no other classes of equity securities.

Firstwave Cloud Technology Limited
Corporate directory
30 June 2020

Directors	John Grant - Executive Director and Chairman Scott Lidgett - Non-Executive Director Paul MacRae - Non-Executive Director David Acton - Non-Executive Director
Company secretary	Gai Stephens
Registered office	Level 10, 132 Arthur Street North Sydney, NSW 2060 Australia Tel: +61 (02) 9409 7000
Share register	Computershare Investor Services Pty Limited Level 5, 115 Grenfell Street Adelaide, SA 5000 Australia Tel: 1300 787 272
Auditor	Grant Thornton Audit Pty Ltd. Level 17, 383 Kent Street Sydney, NSW 2000
Stock exchange listing	Firstwave Cloud Technology Limited shares are listed on the Australian Securities Exchange (ASX code: FCT)
Website	http://www.firstwave.com.au
Corporate Governance Statement	<p>The directors and management are committed to conducting the business of Firstwave Cloud Technology Limited in an ethical manner and in accordance with the highest standards of corporate governance. Firstwave Cloud Technology Limited has adopted and has substantially complied with the ASX Corporate Governance Principles and Recommendations (Third Edition) ('Recommendations') to the extent appropriate to the size and nature of its operations.</p> <p>The consolidated entity's Corporate Governance Statement, which sets out the corporate governance practices that were in operation during the financial year and identifies and explains any Recommendations that have not been followed and ASX Appendix 4G are released to the ASX on the same day the Annual Report is released. The Corporate Governance Statement and Corporate Governance Compliance Manual can be found on the company's website at https://www.firstwavecloud.com/corporate-governance.html</p>