

# **Firstwave Cloud Technology Limited**

**ABN 35 144 733 595**

**Preliminary Final Report - 30 June 2021**

**Firstwave Cloud Technology Limited**

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**30 June 2021**

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**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 2021  
Previous period: For the year ended 30 June 2020

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

			\$
Revenues from ordinary activities	down	3.4% to	7,975,182
Loss from ordinary activities after tax attributable to the owners of Firstwave Cloud Technology Limited	down	22.8% to	(10,642,108)
Loss for the year attributable to the owners of Firstwave Cloud Technology Limited	down	22.8% to	(10,642,108)

*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 showed an improvement on the prior year of \$3,135,373 at an amount of \$10,642,108 (2020: \$13,777,481)

Refer to the attached Operating and financial review for further commentary on the results.

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**3. Net tangible assets**

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>0.74</u>	<u>1.34</u>

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

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**4. Audit qualification or review**

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

The financial statements are in the process of being audited.

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**5. Attachments**

*Details of attachments (if any):*

The Preliminary Final Report of Firstwave Cloud Technology Limited for the year ended 30 June 2021 is attached.

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**6. Signed**

As authorised by the Board of Directors

Signed  \_\_\_\_\_

Date: 27 August 2021

John Grant  
Executive Director and Chairman  
Sydney

## **Review of Operations**

FirstWave Cloud Technology Limited ('FirstWave' or 'the company'), the Australian global cybersecurity technology company, provides a review of its operations for the Financial Year 2021 ('FY21').

FirstWave's mission is to democratise enterprise-grade cybersecurity-as-a-service to protect the world's small and medium sized businesses (SMBs) from cyber-threats at their perimeter, while delivering incremental revenue at scale to its service provider partners who serve SMBs around the world.

In support of its mission, FirstWave achieved the following outcomes during FY21:

- Welcomed four new Level 1 partners:
  - Tata Teleservices Limited - India (August 2020)
  - Vodafone Idea Limited - India (September 2020)
  - Moja Access (part of CSquared Group) - Africa (February 2021)
  - Dimension Data Systems - Africa (March 2021)
- Continued investment in international growth resulting in billing partners increasing from 40 to 52 during the year.
- Introduced two new services to its portfolio:
  - WebProtect DNS from Simplfyd Systems in the UK, achieving significant success in driving new recurring revenues at telcos attaching Web DNS security under an 'opt-out' model to their network customers.
  - Advanced Detection and Response ('ADR'), jointly developed with Middle East partner SHELt Global ('SHELt'). 4,413,430 shares were issued as payment for SHELt's contribution to the development of the first release of the new service, ADR for Email. Subsequent releases will deliver ADR for Web and End Point and are targeted to deliver incremental revenue to FirstWave.

In the quarterly updates provided to shareholders, it was noted that COVID-19 had a significant impact on the markets in which FirstWave operates and the expectation that market activity would have returned to normal by October 2020, which underpinned the May 2020 capital raise, did not eventuate. FirstWave continued to experience lower sales activity, particularly in the UK, Europe and India markets that have been impacted by COVID-19 to varying degrees over the year.

FirstWave also announced the withdrawal of a supplier loan facility from its major Australian customer Telstra, that, in the short term reduced FirstWave's access to working capital.

These two items led to the withdrawal of the FY21 guidance that had been provided to the market and were key contributors to the decision for FirstWave to raise additional capital in April 2021.

## **Financial review**

### **Profit or loss performance**

FirstWave's revenue for the year was \$7,975,182 (2020: \$8,252,880), which represents a reduction of 3.4% over the prior comparative period ('PCP'). This reduction was due to non-recurring revenues being \$425,936 lower than the PCP. Recurring revenue was \$7,595,067 (2020: \$7,446,829) representing an increase of 2.0% over PCP. As disclosed in note 1, international revenue increased by \$860,185 to \$1,246,386 (2020: \$386,201) and represented 15.6% of total revenues from customers (2020: 4.7%). Non-recurring revenue was \$380,115, representing 4.8% (2020: 9.8%) of total revenue.

As indicated above, FY21 international revenue was significantly higher than FY20 but was below FirstWave's expectations due to the impact from COVID-19 which interrupted promising partnerships with Digital Wholesale Solutions Limited (DWS) and NTT Data UK Limited (NTT) in the UK and Europe. It also injected uncertainty in all international markets resulting in commercial decisions being delayed.

FirstWave's total comprehensive loss after income tax was \$10,637,928 (2020: loss \$13,779,300), representing a 22.8% improvement on the PCP. This result includes the full impact of the recognition of non-cash share-based payment expenses of \$3,078,902 (2020: \$3,964,044), resulting from share rights and options being granted to employees and officers. These are reported in divisional expense classifications, e.g., Sales and marketing – international, Product and development and hence align with where the recipient's employment costs have been recognised in the statement of profit or loss and other comprehensive income.

FirstWave continued its focus on disciplined cost management and 'cash-settled' expenses (those that the company pays for in cash and hence excluding share-based payments or depreciation or amortisation) were \$2,886,812 lower than the previous year at \$12,213,739 (2020: \$15,100,551).

The Research and Development (R&D) tax incentive of \$2,061,928 relating to FY20 was recognised as income on its receipt in January 2021 (i.e., FY21). With the experience that FirstWave has developed in estimating R&D returns and the fact that an R&D rebate has been granted consistently over several years, FirstWave will recognise R&D income in FY21 on an accrual basis. Therefore, the financial result for FY21 includes both R&D income from the prior period of \$2,061,928 and FY21 accrued income estimated at \$1,445,017. Refer to note 3 for more details.

### **Statement of financial position**

Cash and cash equivalents decreased by \$5,319,472 after recognising cash investment of \$3,339,400 in FirstWave's platform and a cash movement of \$8,369,572 towards operating activities. Cash used in operating activities was lower than PCP by \$331,207 (3.8%). Cash receipts from customers was \$4,085,800 (down from FY20: \$8,334,102) mainly due to Telstra's withdrawal of its supplier financing platform. The prepayment this facility provided to FirstWave was, at its maximum, approximately \$4,600,000 per annum. The impact of this change is 'once-off' as explained further in the statement of financial position below.

Through a successful placement to institutional and sophisticated investors in April 2021, followed by a share purchase plan offered to all shareholders, FirstWave raised \$6,442,000 issuing 71,577,825 shares at \$0.09 per share. The cashflow impact of these activities was an injection of \$6,112,000 after recognising \$330,000 in capital raising fees.

14,711,627 sub-underwriter options from the May 2020 capital raise were exercised during the year, adding an additional \$735,581 to cash reserves.

FirstWave has significant intangible assets of \$9,503,305 on the statement of financial position, the majority of which relates to the development of the FirstWave platform. FirstWave continues to invest in the platform through the capitalisation of applicable projects.

In the prior year as previously discussed there was a cash upfront payment received through the Telstra supplier facility. This has now been discontinued and FirstWave has commenced invoicing Telstra monthly in arrears on 45-day payment terms from March 2021. Initially the cash on hand reduced without further billing as the prepaid revenue was transferred from deferred revenue to earned revenue. From March 2021 to February 2022, the upfront payment and deferred revenue will reduce each month and monthly invoicing will represent a growing portion of monthly revenues. This will result in the debtor balance increasing to reflect monthly invoicing and 45-day payment terms, the impact of which can be seen in note 6 Trade receivables.

The company has the resources and capacity to continue current operations and execute its planned program of investment to support its domestic and international business development strategy.

### **Events after the reporting period**

FirstWave's Chief Executive Officer Neil Pollock resigned on 8 July 2021 and Executive Chairman John Grant has assumed the role until a permanent CEO is appointed.

The remaining 15,288,373 sub-underwriter options from the May 2020 capital raise were exercised, raising a further \$764,419 to cash reserves.

The consequences of the Coronavirus (COVID-19) pandemic are continuing to be felt around the world, and its impact on the consolidated entity, if any, has been reflected in its published results to date. Whilst it would appear that control measures and related government policies have started to mitigate the risks caused by COVID-19, it is not possible at this time to state that the pandemic will not subsequently impact the consolidated entity's operations going forward. The consolidated entity now has experience in the swift implementation of business continuation processes should future lockdowns of the population occur, and these processes continue to evolve to minimise any operational disruption. Management continues to monitor the situation both locally and internationally.

No other matter or circumstance has arisen since 30 June 2021 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.

**FY22 Priorities**

FirstWave's priorities for FY22 are:

- Enhance the platform to remove friction for SMB end users and Service Providers in adoption of the platform at scale. The work to deliver this is expected to complete in third quarter of FY22;
- Ahead of releasing these software updates, focus sales efforts on 'point' services that can deliver the highest immediate return (e.g., WebProtect, ADR for Email, Multi-tenant Palo Alto Firewall and End Point) rather than engaging new Partners; and
- Further lower operating costs by an estimated \$2,000,000 per annum.

**Firstwave Cloud Technology Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2021**

		<b>Consolidated</b>	
	<b>Note</b>	<b>2021</b>	<b>2020</b>
		<b>(unaudited)</b>	<b>\$</b>
		<b>\$</b>	<b>\$</b>
<b>Revenue</b>			
Sales revenue	2	7,975,182	8,252,880
Cost of sales	4	<u>(3,672,032)</u>	<u>(3,770,999)</u>
Gross profit		<u>4,303,150</u>	<u>4,481,881</u>
Other income	3	2,597,485	1,172,565
Interest income calculated using the effective interest method		91,660	48,761
<b>Expenses</b>			
Sales and marketing - domestic		(1,769,430)	(1,598,518)
Sales and marketing - international		(3,399,836)	(3,594,396)
Product and development		(3,246,854)	(3,741,179)
Operations and support		(2,884,306)	(3,228,096)
Corporate and administration		(6,280,826)	(7,193,129)
Finance costs	4	<u>(53,151)</u>	<u>(125,370)</u>
Total expenses		<u>(17,634,403)</u>	<u>(19,480,688)</u>
<b>Loss before income tax expense</b>		(10,642,108)	(13,777,481)
Income tax expense		<u>-</u>	<u>-</u>
<b>Loss after income tax expense for the year attributable to the owners of Firstwave Cloud Technology Limited</b>		(10,642,108)	(13,777,481)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>4,180</u>	<u>(1,819)</u>
Other comprehensive income for the year, net of tax		<u>4,180</u>	<u>(1,819)</u>
<b>Total comprehensive income for the year attributable to the owners of Firstwave Cloud Technology Limited</b>		<u>(10,637,928)</u>	<u>(13,779,300)</u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	17	(1.59)	(4.24)
Diluted earnings per share	17	(1.59)	(4.24)

*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 2021**

	<b>Note</b>	<b>Consolidated 2021 (unaudited) \$</b>	<b>2020 \$</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	9,961,866	15,281,338
Term deposits		133,776	133,776
Trade and other receivables	6	3,013,953	776,062
Contract assets		552,697	452,652
Other assets		1,139,701	1,132,099
Total current assets		<u>14,801,993</u>	<u>17,775,927</u>
<b>Non-current assets</b>			
Property, plant and equipment	7	126,206	228,928
Right-of-use assets	8	622,149	382,165
Intangibles	9	9,503,305	6,667,519
Other assets		-	192,016
Total non-current assets		<u>10,251,660</u>	<u>7,470,628</u>
<b>Total assets</b>		<u>25,053,653</u>	<u>25,246,555</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	10	4,258,988	3,068,781
Contract liabilities	11	901,819	3,046,578
Employee benefits		1,266,539	976,409
Lease liabilities	12	632,988	464,271
Other	13	832,128	429,264
Total current liabilities		<u>7,892,462</u>	<u>7,985,303</u>
<b>Non-current liabilities</b>			
Contract liabilities	11	121,231	592,812
Employee benefits		155,445	116,172
Provisions		105,000	152,649
Other	13	1,739,171	1,044,667
Total non-current liabilities		<u>2,120,847</u>	<u>1,906,300</u>
<b>Total liabilities</b>		<u>10,013,309</u>	<u>9,891,603</u>
<b>Net assets</b>		<u>15,040,344</u>	<u>15,354,952</u>
<b>Equity</b>			
Issued capital	14	63,760,506	54,667,525
Reserves	15	7,611,200	6,386,579
Accumulated losses		(56,331,362)	(45,699,152)
<b>Total equity</b>		<u>15,040,344</u>	<u>15,354,952</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 2021**

<b>Consolidated</b>	<b>Issued capital</b> \$	<b>Reserves</b> \$	<b>Accumulated losses</b> \$	<b>Total equity</b> \$
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 14)	18,160,848	-	-	18,160,848
Share-based payments	-	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>
<b>Consolidated</b>	<b>Issued capital</b> \$	<b>Reserves</b> \$	<b>Accumulated losses</b> \$	<b>Total equity</b> \$
Balance at 1 July 2020	54,667,525	6,386,579	(45,699,152)	15,354,952
Loss after income tax expense for the year	-	-	(10,642,108)	(10,642,108)
Other comprehensive income for the year, net of tax	-	4,180	-	4,180
Total comprehensive income for the year	-	4,180	(10,642,108)	(10,637,928)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 14)	6,505,518	-	-	6,505,518
Share-based payments	-	3,078,902	-	3,078,902
Share issue on exercise of options	2,587,463	(1,848,563)	-	738,900
Transfer to retained earnings	-	(9,898)	9,898	-
Balance at 30 June 2021	<u>63,760,506</u>	<u>7,611,200</u>	<u>(56,331,362)</u>	<u>15,040,344</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 2021**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
<b>Note</b>	<b>(unaudited)</b>	<b>\$</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of GST)	4,085,800	8,334,102
Payments to suppliers and employees (inclusive of GST)	(14,679,372)	(18,130,837)
Interest received	63,200	48,761
Other income	2,163,300	1,172,565
Interest and other finance costs paid	(2,500)	(125,370)
	<u>(8,369,572)</u>	<u>(8,700,779)</u>
Net cash used in operating activities		
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(37,100)	(42,047)
Payments for intangibles	(3,339,400)	(3,708,299)
	<u>(3,376,500)</u>	<u>(3,750,346)</u>
Net cash used in investing activities		
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	6,442,000	21,615,359
Proceeds from exercise of options	738,900	-
Share issue transaction costs	(330,000)	(1,624,511)
Repayment of receivables from key management personnel	221,500	-
Repayment of lease liabilities	(645,800)	(319,553)
	<u>6,426,600</u>	<u>19,671,295</u>
Net cash from financing activities		
Net increase/(decrease) in cash and cash equivalents	(5,319,472)	7,220,170
Cash and cash equivalents at the beginning of the financial year	15,281,338	8,061,168
Cash and cash equivalents at the end of the financial year	5 <u>9,961,866</u>	<u>15,281,338</u>

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

## Note 1. 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.

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.

### Major customers

During the year ended 30 June 2021, there was one major external customer (2020: one customer) where revenue exceeded 10% of the consolidated revenue. Total revenue from the customer for the year ended 30 June 2021 amounted to \$6,487,157 (2020: \$7,725,225).

### Operating segment information

	Australia \$	International \$	Total \$
<b>Consolidated - 2021 (unaudited)</b>			
<b>Revenue</b>			
Sales to external customers	6,728,796	1,246,386	7,975,182
Interest income	91,660	-	91,660
<b>Total revenue</b>	<b>6,820,456</b>	<b>1,246,386</b>	<b>8,066,842</b>
Adjusted EBITDA			(4,885,307)
Depreciation and amortisation			(2,716,408)
Interest income			91,660
Finance costs			(53,151)
Share-based payments expenses			(3,078,902)
<b>Loss before income tax expense</b>			<b>(10,642,108)</b>
Income tax expense			-
<b>Loss after income tax expense</b>			<b>(10,642,108)</b>
<b>Consolidated - 2020</b>			
<b>Revenue</b>			
Sales to external customers	7,866,679	386,201	8,252,880
Interest income	48,761	-	48,761
<b>Total revenue</b>	<b>7,915,440</b>	<b>386,201</b>	<b>8,301,641</b>
Adjusted EBITDA			(9,320,735)
Depreciation and amortisation			(2,246,093)
Interest income			48,761
Finance costs			(125,370)
Share-based payments expenses			(2,134,044)
<b>Loss before income tax expense</b>			<b>(13,777,481)</b>
Income tax expense			-
<b>Loss after income tax expense</b>			<b>(13,777,481)</b>

**Note 2. Revenue from contracts with customers**

*Disaggregation of revenue*

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

	<b>Consolidated 2021 (unaudited) \$</b>	<b>2020 \$</b>
Recurring revenue (over a period of time)	7,595,067	7,446,829
Non-recurring revenue (at a point in time)	380,115	806,051
Total revenue	<u>7,975,182</u>	<u>8,252,880</u>

Revenue from external customers by geographic regions is set out in note 1.

**Note 3. Other income**

	<b>Consolidated 2021 (unaudited) \$</b>	<b>2020 \$</b>
Research and development grant income*	2,409,577	789,920
Other income**	187,908	382,645
Other income	<u>2,597,485</u>	<u>1,172,565</u>

\* The Research and Development (R&D) tax incentive of \$2,061,928 relating to FY20 was recognised as income on its receipt in January 2021 (i.e., FY21). With the experience that the consolidated entity has developed in estimating R&D returns and the fact that an R&D rebate has been granted consistently over several years, the consolidated entity will recognise R&D income in FY21 on an accrual basis. Therefore, the financial results for FY21 include both R&D income from the prior period of \$2,061,928 and FY21 accrued income estimated at \$1,445,017. Total R&D income recognised in FY21 was \$2,409,577, which is less than the total of \$3,506,945 referenced above due to the work undertaken to earn this R&D grant being capitalised, and the majority of the funds, therefore, being recognised in the statement of financial position. There are no unfulfilled conditions or other contingencies attached to the grant.

\*\* Includes Australian Government grant of \$Nil (2020: \$142,446) towards cash flow boost and other COVID-19 incentives and \$8,696 (2020: \$9,641) Singapore Government job support grant.

Note 4. Expenses

	Consolidated	
	2021 (unaudited)	2020
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Cost of sales</i>		
Cost of licenses	3,672,032	3,770,999
<i>Depreciation</i>		
Leasehold improvements	122,758	129,503
Computer equipment	47,013	49,817
Computer platform	2,757	2,778
Right-of-use assets	416,724	454,236
Total depreciation	589,252	636,334
<i>Amortisation</i>		
Capitalised development costs	2,113,634	1,577,645
Patents	13,522	32,114
Total amortisation	2,127,156	1,609,759
Total depreciation and amortisation	2,716,408	2,246,093
<i>Finance costs</i>		
Interest and finance charges paid/payable on lease liabilities	53,151	125,370
<i>Net foreign exchange variance</i>		
Net foreign exchange variance	(12,122)	120,259
<i>Employee benefit expenses</i>		
Employee salaries and other benefits*	11,621,907	12,192,213
Defined contribution superannuation expense	700,747	961,967
Share-based payments expenses	3,078,902	2,134,044
Total employee benefit expenses	15,401,556	15,288,224

\* Includes a salary sacrifice amount of \$1,160,422 (2020: \$512,467). Share rights have been granted for cash forgone.

Note 5. Cash and cash equivalents

	Consolidated	
	2021 (unaudited)	2020
	\$	\$
Cash at bank	9,961,866	15,281,338

Note 6. Trade and other receivables

	Consolidated	
	2021 (unaudited)	2020
	\$	\$
Trade receivables	1,553,923	450,055
Less: Allowance for expected credit losses	<u>(210,224)</u>	<u>(95,934)</u>
	1,343,699	354,121
Research and development tax incentive receivable	1,445,017	-
Other receivables	86,122	59,290
Receivable from key management personnel	-	221,520
GST receivable	<u>139,115</u>	<u>141,131</u>
	<u>3,013,953</u>	<u>776,062</u>

Note 7. Property, plant and equipment

	Consolidated	
	2021 (unaudited)	2020
	\$	\$
Leasehold improvements - at cost	680,827	647,510
Less: Accumulated depreciation	<u>(612,020)</u>	<u>(489,262)</u>
	68,807	158,248
Computer equipment - at cost	505,529	470,579
Less: Accumulated depreciation	<u>(451,247)</u>	<u>(404,234)</u>
	54,282	66,345
Computer platform - at cost	245,475	243,936
Less: Accumulated depreciation	<u>(242,358)</u>	<u>(239,601)</u>
	3,117	4,335
	<u>126,206</u>	<u>228,928</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	Leasehold improvements \$	Computer equipment \$	Computer platform \$	Total \$
Balance at 1 July 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	<u>(129,503)</u>	<u>(49,817)</u>	<u>(2,778)</u>	<u>(182,098)</u>
Balance at 30 June 2020	158,248	66,345	4,335	228,928
Additions	33,317	34,950	1,539	69,806
Depreciation expense	<u>(122,758)</u>	<u>(47,013)</u>	<u>(2,757)</u>	<u>(172,528)</u>
Balance at 30 June 2021	<u>68,807</u>	<u>54,282</u>	<u>3,117</u>	<u>126,206</u>

**Note 8. Right-of-use assets**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>(unaudited)</b>	
	<b>\$</b>	<b>\$</b>
<i>Non-current assets</i>		
Right-of-use assets	1,268,277	836,401
Less: Accumulated depreciation	<u>(646,128)</u>	<u>(454,236)</u>
	<u><u>622,149</u></u>	<u><u>382,165</u></u>

*Reconciliations*

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

<b>Consolidated</b>	<b>Office premises</b>
	<b>\$</b>
Balance at 1 July 2019	-
Adoption of AASB 16 on 1 July 2019	779,346
Transfer from property, plant and equipment	58,515
Exchange differences	(1,460)
Depreciation expense	<u>(454,236)</u>
Balance at 30 June 2020	382,165
Additions	663,016
Other changes	(6,308)
Depreciation expense	<u>(416,724)</u>
Balance at 30 June 2021	<u><u>622,149</u></u>

**Note 9. Intangibles**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>(unaudited)</b>	
	<b>\$</b>	<b>\$</b>
Capitalised development costs - at cost	21,170,160	16,231,139
Less: Accumulated amortisation	<u>(11,824,093)</u>	<u>(9,710,459)</u>
	<u>9,346,067</u>	<u>6,520,680</u>
Patents - at cost	202,479	178,558
Less: Accumulated amortisation	<u>(135,241)</u>	<u>(121,719)</u>
	<u>67,238</u>	<u>56,839</u>
Information systems - at cost	<u>90,000</u>	<u>90,000</u>
	<u><u>9,503,305</u></u>	<u><u>6,667,519</u></u>



**Note 9. Intangibles (continued)**

*Reconciliations*

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

<b>Consolidated</b>	Capitalised development \$	Patents \$	Information systems \$	Total \$
Balance at 1 July 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	(1,577,645)	(32,114)	-	(1,609,759)
Balance at 30 June 2020	6,520,680	56,839	90,000	6,667,519
Additions	4,939,021	23,921	-	4,962,942
Amortisation expense	(2,113,634)	(13,522)	-	(2,127,156)
Balance at 30 June 2021	<u>9,346,067</u>	<u>67,238</u>	<u>90,000</u>	<u>9,503,305</u>

**Note 10. Trade and other payables**

	<b>Consolidated 2021 (unaudited) \$</b>	<b>2020 \$</b>
<i>Current liabilities</i>		
Trade payables	1,028,096	643,798
Accrued expenses	3,020,645	2,424,983
Other payables	210,247	-
	<u>4,258,988</u>	<u>3,068,781</u>

**Note 11. Contract liabilities**

	<b>Consolidated 2021 (unaudited) \$</b>	<b>2020 \$</b>
<i>Current liabilities</i>		
Contract liabilities	901,819	3,046,578
<i>Non-current liabilities</i>		
Contract liabilities	121,231	592,812
	<u>1,023,050</u>	<u>3,639,390</u>

**Note 12. Lease liabilities**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>(unaudited)</b>	
	<b>\$</b>	<b>\$</b>
<i>Current liabilities</i>		
Lease liability	<u>632,988</u>	<u>464,271</u>

**Note 13. Other**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>(unaudited)</b>	
	<b>\$</b>	<b>\$</b>
<i>Current liabilities</i>		
Deferred research and development income	<u>832,128</u>	<u>429,264</u>
<i>Non-current liabilities</i>		
Deferred research and development income	<u>1,739,171</u>	<u>1,044,667</u>
	<u><u>2,571,299</u></u>	<u><u>1,473,931</u></u>

**Note 14. Issued capital**

	<b>Consolidated</b>			
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>(unaudited)</b>	<b>Shares</b>	<b>(unaudited)</b>	<b>Shares</b>
	<b>Shares</b>	<b>Shares</b>	<b>\$</b>	<b>\$</b>
Ordinary shares - fully paid	<u>747,390,339</u>	<u>647,625,092</u>	<u>63,760,506</u>	<u>54,667,525</u>

Note 14. Issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	\$
Balance	1 July 2019	280,805,705	36,506,677
Issue of shares*	28 October 2019	34,683,567	6,589,878
Issue of shares*	4 November 2019	547,357	104,000
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
Issue of shares**	17 September 2020	989,650	109,851
Issue of shares**	15 October 2020	4,900,767	543,985
Issue of shares**	23 November 2020	4,110,242	456,237
Issue of shares***	25 November 2020	2,939,185	308,614
Issue of shares**	24 December 2020	668,318	74,183
Issue of shares**	10 February 2021	377,368	41,888
Issue of shares***	10 February 2021	2,894,149	303,886
Issue of shares**	11 March 2021	3,094,568	343,497
Issue of shares*	6 May 2021	66,666,667	6,000,000
Issue of shares**	6 May 2021	333,654	37,036
Issue of shares***	6 May 2021	1,867,586	195,701
Issue of shares*	3 June 2021	4,413,430	414,862
Issue of shares*	7 June 2021	4,911,158	442,004
Issue of shares***	7 June 2021	1,361,445	142,952
Issue of shares**	30 June 2021	237,060	26,314
Share issue transaction costs, net of tax		-	(348,029)
Balance	30 June 2021	<u>747,390,339</u>	<u>63,760,506</u>

\* Share placement

\*\* Options exercised

\*\*\* Service and restricted rights exercised

Ordinary shares

Ordinary shares entitle the holder to participate in any dividends declared and any proceeds attributable to shareholders should the company be wound up, in proportions that consider both the number of shares held and the extent to which those shares are paid up. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

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

Share buy-back

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

Note 15. Reserves

	Consolidated	
	2021 (unaudited)	2020
	\$	\$
Foreign currency reserve	(2,165)	(6,345)
Share-based payments reserve	7,613,365	6,392,924
	<u>7,611,200</u>	<u>6,386,579</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.

*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 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>(6,345)</u>	<u>6,392,924</u>	<u>6,386,579</u>
Balance at 30 June 2020	(6,345)	6,392,924	6,386,579
Foreign currency translation	4,180	-	4,180
Share-based payment expense	-	3,078,902	3,078,902
Transfer to issued capital	-	(1,848,563)	(1,848,563)
Transfer to retained earnings	-	(9,898)	(9,898)
	<u>(2,165)</u>	<u>7,613,365</u>	<u>7,611,200</u>
Balance at 30 June 2021	<u>(2,165)</u>	<u>7,613,365</u>	<u>7,611,200</u>

Note 16. Dividends

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

Note 17. Earnings per share

	Consolidated	
	2021 (unaudited)	2020
	\$	\$
Loss after income tax attributable to the owners of Firstwave Cloud Technology Limited	<u>(10,642,108)</u>	<u>(13,777,481)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>669,990,763</u>	<u>324,615,175</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>669,990,763</u>	<u>324,615,175</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(1.59)	(4.24)
Diluted earnings per share	(1.59)	(4.24)

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

Note 18. Events after the reporting period

The consequences of the Coronavirus (COVID-19) pandemic are continuing to be felt around the world, and its impact on the consolidated entity, if any, has been reflected in its published results to date. Whilst it would appear that control measures and related government policies have started to mitigate the risks caused by COVID-19, it is not possible at this time to state that the pandemic will not subsequently impact the consolidated entity's operations going forward. The consolidated entity now has experience in the swift implementation of business continuation processes should future lockdowns of the population occur, and these processes continue to evolve to minimise any operational disruption. Management continues to monitor the situation both locally and internationally.

Neil Pollock, the Chief Executive Officer ('CEO') resigned on 8 July 2021 and John Grant, the Executive Chairman has assumed the role until a permanent CEO is appointed.

The remaining 15,288,373 sub-underwriter options from the May 2020 capital raise were exercised, raising a further \$764,419 to cash reserves.

No other matter or circumstance has arisen since 30 June 2021 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.