



FIRSTWAVE
CLOUD SECURITY TECHNOLOGY

Year in Review

ANNUAL REPORT 2019



“ FIRSTWAVE IS AN AUSTRALIAN GLOBAL CLOUD SECURITY ORCHESTRATION COMPANY EVOLVING FROM A SINGLE PARTNER, SINGLE-CLOUD SOLUTION, OPERATING IN ONE GEOGRAPHIC MARKET, INTO A MULTI-CLOUD SOLUTION OPERATING THROUGH MULTIPLE PARTNERS AND GEOGRAPHIES. ”

David Kirton | CEO FirstWave

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FIRSTWAVE’S CLOUD CONTENT SECURITY PLATFORM IS A UNIQUE SAAS EMAIL, WEB AND FIREWALL SECURITY SERVICES ORCHESTRATION PLATFORM FOR TELCOS AND SERVICE PROVIDERS THAT PREVENTS CYBERSECURITY THREATS FROM IMPACTING THEIR CUSTOMERS.

This Annual Report is a summary of FirstWave Cloud Technology Limited’s operations, activities and financial performance and position as at 30 June 2019. In this Annual Report, references to ‘FirstWave’, the ‘company’, ‘we’, ‘us’ and ‘our’ refer to FirstWave Cloud Technology Limited (ABN 35 144 733 595), unless otherwise stated. References in this Annual Report to a ‘year’ are to the financial year ended 30 June 2019, unless otherwise stated. All dollar figures are expressed in Australian dollars (AUD) unless otherwise stated. A glossary is included on page 84 to assist with terms used in this Annual Report.

1 CHAIRMAN'S MESSAGE

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For personal

We have delivered a powerful shift in momentum for FirstWave during 2019, the likes of which we have not experienced since the implementation of our three-phase Enable, Expand and Scale strategy. This year opened a positive line of sight to FirstWave's strategic ambitions following our rapid growth from a single geographic market to a true multi-partner channel global opportunity within 12 months. The company is on track to realising this substantial opportunity in 2020 and progressing FirstWave from an "Australian cybersecurity company" into "Australia's global cloud security services orchestration company", competing with a true global leveraged business model.

ALIGNED WITH OUR PURPOSE
The explosion in popularity of cloud-based computing and Software as a Service ('SaaS') continued throughout the 2019 fiscal year, as did the exponential increase in the risk of malicious cybercrime across all size businesses and constant launches

of new cybersecurity offerings to the market across all segments. This has intensified the pressure on end customers with increased cyber threats and attacks, stricter regulatory and compliance issues, their own lack of internal security and risk capabilities, buyer confusion around suitable vendor product and the complexity and cost of managing the move to the cloud. It's a complex ecosystem in which our channel partners (telecommunications companies, global security vendors and managed security service providers) are competing hard to grow revenue. FirstWave's unique security services orchestration platform enables these partners to deliver cloud-based security services to connected customers anywhere in the world. Collectively this presents a continued addressable market opportunity of \$14 billion by 2021, aligned with the company's three-year strategy, with a serviceable obtainable market of \$1.8 billion.

REFLECTING ON OUR ACHIEVEMENTS
I would like to commend our Chief Executive Officer, Mr David Kirton, and his management team on helping the company achieve significant milestones in 2019, including:

- Significantly increasing our go-to-market channels by signing NTT DATA UK Limited and SHELTL Global Ltd, with first orders already secured from one of these agreements.
- Completing Cisco Systems, Inc. (Cisco) accreditation and being placed on Cisco's Global Price List and ordering system.
- Our first win in Asia Pacific through the Cisco software original equipment manufacturing development and licence agreement with a tier one cloud security provider.
- The extension of the Telstra Corporation Ltd reseller agreement, including a new payment schedule agreement.

We have continued to invest in FirstWave's proprietary orchestration platform throughout 2019, enhancing our product and enabling channel partners to bundle our enterprise-grade cybersecurity offering across multiple threat vectors to their end customers. As a result, we have built greater company value through this unique technology.

FUTURE FOCUSED
The progression of FirstWave's Enable, Expand and Scale strategy is delivering exciting results. Having completed our first full year of the Expand phase, we have actively established a growing international footprint which, with successful execution through the path to revenue and using our domestic customer base as a baseline, provides a "line of sight" to \$45 million in annualised recurring revenue.

The \$11.8 million of capital raised during the year has simultaneously expanded the scope of global opportunities, supported existing customers and built new global partner channels in international markets. Meanwhile, we anticipate that agreements with local software distributors and cloud service providers will drive domestic revenue growth.

In June 2019, we announced the appointment of Mr John Grant to the Board as Executive Director and Chairman as my replacement from 1 July 2019. I'm delighted to

remain on the Board as a Non-executive Director. In this role, John will lead the Board and work closely with the executive team to help the company secure the outcomes needed in the six months to 31 December 2019. It is intended that John will transition to the role of Non-executive Chairman during the second half of the year ending 30 June 2020.

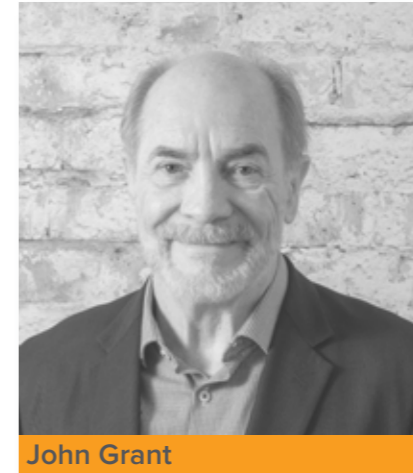
John brings impressive experience in terms of the technology sector, business operations and board leadership, with his previous positions including Inaugural Chair of the Australian Rugby League Commission from 2012 to 2018 and Managing Director and Chief Executive of ASX-listed technology company Data#3 Limited from 1996 to 2015.

Mr Simon Moore will retire from the Board at the end of August 2019. Appointed to the Board in March 2017,

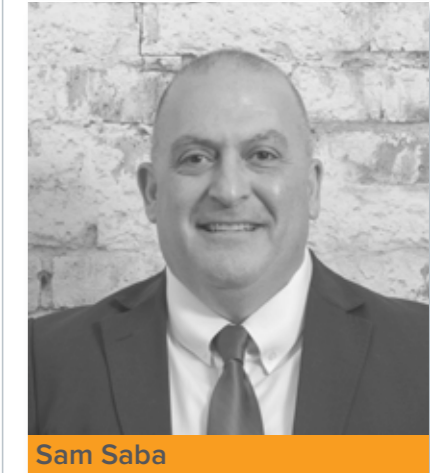
Simon has overseen the audit and risk function during his tenure. He made a valuable contribution to the company during his time as a Director and has been a welcome and respected sounding board for both the Board and the executive team. We thank Simon and welcome his continued participation as a shareholder. 2019 has delivered solid progress and valuable learnings which have us poised to embark on the next exciting growth chapter in 2020. The Board and I extend our deep thanks to you, our loyal and supportive shareholders, and the exceptionally skilled and dedicated FirstWave team.



Sam Saba
Outgoing Non-executive Chairman



John Grant



Sam Saba

“ THE PROGRESSION OF FIRSTWAVE'S ENABLE, EXPAND AND SCALE STRATEGY IS DELIVERING EXCITING RESULTS. HAVING COMPLETED OUR FIRST FULL YEAR OF THE EXPAND PHASE, WE HAVE ACTIVELY ESTABLISHED A GROWING INTERNATIONAL FOOTPRINT WHICH, WITH SUCCESSFUL EXECUTION THROUGH THE PATH TO REVENUE AND USING OUR DOMESTIC CUSTOMER BASE AS A BASELINE, PROVIDES A 'LINE OF SIGHT' TO \$45 MILLION IN ANNUALISED RECURRING REVENUE. ”

Sam Saba | Outgoing Non-executive Chairman FirstWave

2 FROM OUR CEO'S DESK

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For personal

2019 has seen FirstWave achieve a host of critical milestones on our mission to make enterprise-grade cybersecurity accessible to businesses globally.

Once a single partner, single-cloud solution, operating in one geographic market, this year we continued our evolution to a multi-cloud solution operating through multiple partners and geographies. It's a shift that is unfolding against a backdrop of enormously positive feedback about FirstWave's cloud-based offering from partners, customers and trusted experts.

PERFORMANCE HIGHLIGHTS

This year, we invested in a number of key areas:

- New partners: Three new level one partners (Cisco Systems, Inc, NTT DATA UK Limited and SHEL Global Ltd) and one new level two partner (Celcom Malaysia) substantially increased the reach of our leveraged go-to-market model.

- Partner consolidation: Our relationship with long-term partner Telstra Corporation Ltd was extended.
- Platform expansion: Our Cloud Content Security Platform ('CCSP') was deployed in North America, United Kingdom, India and Australia.
- New resources: Business development and technical sales resources were deployed in United Kingdom, India, Singapore and Malaysia.
- Path to revenue progression: New partners were moved through the path to revenue, achieving the partner accreditation necessary to launch security-as-a-service offerings into market.

The continued support of existing shareholders as well as new investors has been crucial on the journey to international revenue. To both our loyal and new shareholders, I extend the sincere thanks of our company for investing in FirstWave.

With your investment, our CCSP is making strong inroads in addressing the risk of malicious cyber-attack to businesses and meeting the specific challenges that security vendors and service providers are facing in cybercrime prevention.

These are global problems that require time and money to solve, however they present a significant runway of opportunity for FirstWave's robust cloud-based cybersecurity solutions.

KEY FINANCIALS

The company's revenue for the year was \$8.8 million, which represents growth of 13% over the prior comparative period (PCP). Licensing and support revenue increased by 14% for the year and represents 96.6% of total revenue. Professional services revenue was \$0.3 million, declining 9.7% on the PCP, representing 3.4% of total revenue.

The company's loss after income tax amounted to \$11 million. Cash and cash equivalents increased by

\$2.3 million to \$8 million at 30 June 2019, supported by two capital raises, and a share purchase plan, totalling \$11.1 million net of expenses. Of the increase to cash and cash equivalents, \$6.3 million represented cash outflows from operating activities. Cash used in operating activities increased by \$2.8 million, up 80% from 30 June 2018, mainly attributed to the company's investment in growth and expansion.

Trade receivables of \$0.6 million at 30 June 2019 have been substantially realised after the year end.

Investment into our CCSP has driven the \$2.2 million investment in research and development that has been capitalised as an intangible asset in the company's statement of financial position.

LOOKING TO THE FUTURE

As we continue to execute the Expand phase of our three-phase strategy, we are perfectly placed to penetrate the global cybersecurity market's immense opportunities with FirstWave's Australian-developed cloud cybersecurity technology.

By investing in international expansion, strengthening relationships with our global security vendor partners and nurturing new partners in our leveraged go-to-market model, we're unlocking even greater access to a \$1.8 billion opportunity.

The driven, innovative and passionate people behind the FirstWave brand are one of our greatest assets, and their achievements are vital to the traction our business is achieving in global markets.

I would like to thank all our employees for their commitment and loyalty, and in particular acknowledge Drew Kelton and Sam Saba for their commitment during their respective tenures as Chairman, and Simon Moore for his tenure as a Director and Chair of the Audit and Risk Committee.

Their support and counsel contributed to FirstWave's path to international revenue.

Finally, I would like to welcome John Grant into the Executive Chair at FirstWave. John's impact on the company is already being felt and has everyone at FirstWave excited about the year ahead.

I look forward to keeping our investors across our progress throughout the year as we continue to deliver on our long-term growth plans.



David Kirton

David Kirton
Chief Executive Officer

“ BY INVESTING IN INTERNATIONAL EXPANSION, STRENGTHENING RELATIONSHIPS WITH OUR GLOBAL SECURITY VENDOR PARTNERS AND NURTURING NEW PARTNERS IN OUR LEVERAGED GO-TO-MARKET MODEL, WE'RE UNLOCKING EVEN GREATER ACCESS TO A \$1.8 BILLION OPPORTUNITY. ”

David Kirton | CEO FirstWave

3 HIGHLIGHTS 2019



“AS WE ROLLOUT OUR VISION FOR OUR PRODUCT ROADMAP, FURTHER INNOVATION TO OUR PLATFORM MEANS OUR PARTNERS WILL HAVE THE ABILITY TO DELIVER EWF ‘PERIMETER’ SECURITY SERVICES TO THEIR SMB CUSTOMERS. THIS WILL BE A GAMECHANGER AS AN ‘INTRINSIC’ CYBERSECURITY-AS-A-SERVICE MARKET NICHE OPPORTUNITY.”

Simon Ryan | CTO FirstWave

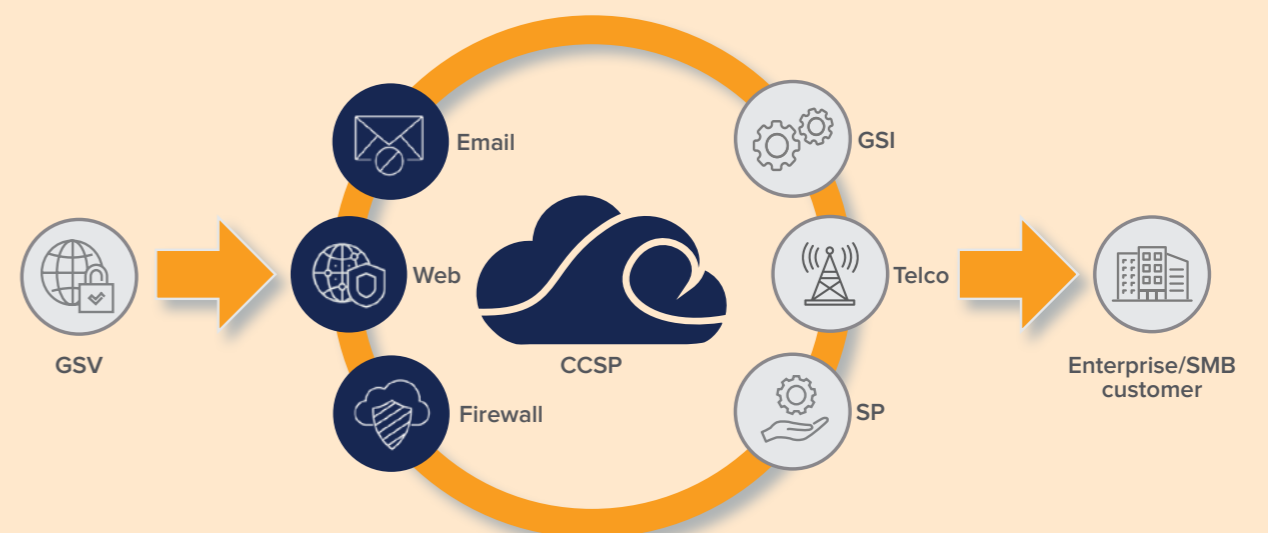
- 3 new partners substantially increased the reach of our leveraged go-to-market model
- Re-signed long-standing agreement with Telstra
- Launched onto the Cisco Global Price List providing access to all Cisco customers
- New partners moved through the path to revenue, achieving the partner accreditation necessary to launch SaaS security offerings into the market
- Introduced new BDMs in UK, India, Singapore and Malaysia
- 8 cloud platforms globally located in USA, UK, India and Australia

13%
GROWTH IN
REVENUE

+14%
LICENSING
AND SUPPORT
REVENUE

\$2.1 MILLION
INVESTED IN
PROPRIETARY
CCSP TO MEET
GLOBAL CHANNEL

FIRSTWAVE'S CLOUD CONTENT SECURITY PLATFORM



GLOBAL FOOTPRINT

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“OUR INVESTMENT IN STRENGTHENING RELATIONSHIPS WITH EXISTING AND POTENTIAL GLOBAL PARTNERS IS BUILDING ON OUR STRATEGIC POSITIONING AND UNLOCKING GREATER MARKET OPPORTUNITIES. ULTIMATELY, WE ARE DELIGHTED THAT OUR CCSP HAS BEEN VALIDATED BY CUSTOMERS SUCH AS TELSTRA, CISCO, NTT DATA AND SHELТ GLOBAL.”



Sundar Bharadwaj | Business Head EMEA and North America Region FirstWave

“WITH OUR CONSTANT DRIVE AND FOCUS TO DELIVER OUR EXPAND PHASE, WE HAVE SUCCESSFULLY STREAMLINED OUR OPERATIONS AND PRODUCT DEVELOPMENT TO SET US UP FOR SUCCESS IN THE LUCRATIVE GLOBAL CYBER-SECURITY MARKET OUTSIDE AUSTRALIA WITH WHAT WE KNOW IS A DIFFERENTIATED OFFERING.”

Neil Pollock | COO and Head of International FirstWave



“THE VELOCITY OF CYBER THREATS AND MALICIOUS ATTACKS COUPLED WITH THE COMPLEXITY OF SECURITY SOLUTIONS ARE CREATING A TORNADO EFFECT IN THE MARKET. FIRSTWAVE'S SAAS SECURITY OFFERING PROVIDES A WORLD-CLASS SOLUTION TO MEET THIS OPPORTUNITY.”

Roger Carvosso | Strategy Director FirstWave



4 DIRECTORS' + REMUNERATION REPORTS

“IT'S RARE THAT AN AUSTRALIAN TECHNOLOGY COMPANY CAN FIND A PLACE IN THE WORLD. FIRSTWAVE HAS SIGNIFICANT OPPORTUNITY AHEAD OF IT BUT MUST RAPIDLY ACCELERATE DELIVERY OF ITS PRODUCT ROADMAP, EACH ELEMENT OF WHICH IS DIRECTLY RELATED TO NEW CHANNEL REVENUE OPPORTUNITY, AND EXPAND ITS CHANNEL PARTNER NETWORK IF IT IS TO BE IN AN OPTIMAL POSITION TO CONVERT OPPORTUNITY TO REVENUE.”

John Grant | Executive Chairman FirstWave

DIRECTORS' REPORT

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 2019 ('FY2019').

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)

Sam Saba

Scott Lidgett

Paul MacRae

Simon Moore

Edward Keating (resigned on 13 July 2018)

Alexander Kelton (resigned on 6 November 2018)

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 \$11,007,337 (30 June 2018: \$8,717,386).

Profit or loss performance

The consolidated entity's revenue for the year was \$8,831,731, which represents growth of 13% over the prior comparative period ('PCP'). Licensing and support revenue increased by 14% for the year and represents 96.6% of total revenue. Professional services revenue was \$300,643 declining 9.7% on PCP, representing 3.4% of total revenue.

The consolidated entity's loss after income tax amounted to \$11,007,337 (30 June 2018: loss of \$8,717,386). This result includes the full impact of the recognition of non-cash share-based payment expenses of \$1,009,962 (30 June 2018: \$109,243) due to stock options granted to employees and officers. These are reported in general and administration expenses in the statement of profit and loss and other comprehensive income. In valuing stock options, the Black-Scholes valuation model has been applied with a volatility input measure of 64% based on historical share price movements – refer to the remuneration report for further details.

Statement of financial position

Cash and cash equivalents increased by \$2,278,295 to \$8,061,168 at 30 June 2019 (30 June 2018: \$5,782,873). This is supported by two capital raises throughout the year and a share purchase plan, totalling \$11,142,192 (net of expenses). Of this increase to cash and cash equivalents, \$6,345,820 represented cash outflows from operating activities (30 June 2018: \$3,531,173). Cash used in operating activities increased by \$2,814,647, up 80% from 30 June 2018, mainly attributed to the consolidated entity's investment to drive international expansion. Trade receivables of \$572,697 at 30 June 2019 (30 June 2018: \$1,706,880) have been substantially realised after the year end.

Product and development costs of \$2,167,980 have been capitalised as an intangible asset in the consolidated entity's statement of financial position, the investment has increased from the PCP of \$1,531,906.

Based on its current commitments, the consolidated entity has sufficient funds to meet its debts as and when they fall due, and 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 incorporates several 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 a significant doubt on the consolidated entity's ability to continue as a going concern.

Significant changes in the state of affairs

On 6 December 2018, the company completed a capital raise of \$3,404,000 (before costs) by issuing 24,314,285 ordinary shares.

On 2 April 2019, the company completed a capital raise of \$6,500,000 (before costs) by issuing 23,214,286 ordinary shares.

On 30 April 2019, the company completed a share purchase plan of \$1,248,000 by issuing 4,457,072 ordinary shares. See note 19 for further details.

FY2019 has been another productive year for the consolidated entity, achieving several key milestones:

- Signing a software original equipment manufacturer ('OEM') development and license agreement with Cisco Systems, Inc. ('Cisco'), and subsequently confirming an agreement with a Level 2 service provider in Asia Pacific through the OEM agreement. The partnership was further strengthened by a commitment from Cisco of over \$1 million in infrastructure and software support to establish a joint cybersecurity technology laboratory.
- Expanding into Middle East and Africa signing a reseller agreement with SHEL Global Ltd and securing its first customer, Telecel, through the partnership. Telecel is an African headquartered Tier 1 service provider commencing billing in quarter 4 FY2019.
- Signing a partnership with global systems integrator NTT DATA UK Limited, the partnership provides a channel to accelerate expansion in the UK, Europe, USA, Canada, India and Asia Pacific.
- Re-signing product and services agreement with Telstra Corporation Ltd. The agreement allows added flexibility to optimise working capital and continue the long-standing partnership.

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

No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

The consolidated entity's priorities for FY2020 are:

- moving existing customers through the path to revenue and increasing the customer base;
- increasing penetration of email, web and firewall service offerings to existing and new customers;
- investing in the product roadmap to add additional security appliances onto the cloud content security platform ('CCSP');
- scaling platform infrastructure and service delivery to meet customer demand; and
- providing investors with increased transparency of progress.

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 2019 is set out below:



Sam Saba

Sam Saba

Non-executive Director

Qualifications: Sam holds BS and MS Degrees in Civil Engineering from the University of Louisiana at Lafayette. He completed post-graduate studies in Business Management from Columbia University and Executive Sales Management from Wharton Business School, Pennsylvania and Cambridge University, UK.

Experience and expertise: Sam has served as the Head of South East Asia and Oceania Region at Telefonaktiebolaget LM Ericsson (publ) since 1 July 2014. He is a highly-regarded, internationally experienced business executive with expertise leading large multinational Telecommunication/IT companies across Australia and New Zealand, Southeast Asia and the Middle East. He has spent 23 years with the Ericsson Group and served as the President of Ericsson's Southeast Asia and Oceania Region based in Singapore, President Director of Ericsson Indonesia, Chief Executive Officer of Ericsson Australia and New Zealand and Telstra Account Director at Ericsson Australia. He is a Former Senior Advisor for Ericsson South East Asia, Oceania and India.

Other current directorships: None

Former directorships (last three years): None

Special responsibilities: Member of the Audit and Risk Committee

Interests in shares: 876,623

Interests in options: 1,000,000



Scott Lidgett

Scott Lidgett

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.

Other current directorships: None

Former directorships (last three years): None

Special responsibilities: Member of Remuneration and Nomination Committee

Interests in shares: 19,011,990

Interests in options: 1,200,000



Paul MacRae

Paul MacRae

Non-executive Director

Qualifications: Paul holds a Master of Business Administration (MBA) from University of Strathclyde and a Bachelor of Science in Chemistry from The University of Glasgow.

Experience and expertise: Paul has a successful history of setting up new businesses in the IT industry in Australia and overseas. Since moving to Australia in 1989 he has been involved with the IT industry at a senior level. Paul also runs part of the largest listed Australian Enterprise Software company - 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, Galileo in New Zealand, setting up and selling a successful SAP Consultancy and growing business at a leading HRMS software company.

Other current directorships: None

Former directorships (last three years): None

Special responsibilities: Chairman of the Remuneration and Nomination Committee

Interests in shares: 2,045,602

Interests in options: 1,200,000



Simon Moore

Simon Moore

Non-executive Director

Qualifications: Simon holds a Bachelor of Commerce (Hons) and a Bachelor of Law (Hons) from the University of Queensland.

Experience and expertise: Simon has extensive board-level experience including in the enterprise cloud computing and information technology sectors, along with a solid background spanning private equity, strategic planning, corporate finance, financial modelling, corporate governance and contract negotiations. Simon is the Senior Partner of Colinton Capital Partners, an Australian middle market private equity investment firm. From September 2005 through to December 2016, Simon was a Managing Director and a Global Partner of The Carlyle Group. Prior to joining The Carlyle Group in 2005, Simon was a Managing Director and Investment Committee Member of Investcorp International, Inc., based in New York. Prior to that, Simon worked in private equity investments and investment banking at J.P. Morgan & Co. in New York, Hong Kong and Melbourne.

Other current directorships: Megaport Limited (ASX: MP1); TPI Enterprises Limited (ASX: TPE)

Former directorships (last three years): Qube Holdings Limited (ASX: QUB) (resigned on 1 September 2016)

Special responsibilities: Chairman of the Audit and Risk Committee

Interests in shares: 4,358,386

Interests in options: 1,000,000

'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 three years)' quoted above are directorships held in the last three 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 four 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 2019, and the number of meetings attended by each director were:

	Full Board		Remuneration and Nomination Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Sam Saba	12	13	-	-	1	2
Scott Lidgett	13	13	7	7	-	-
Paul MacRae*	13	13	7	7	1	1
Simon Moore	13	13	-	-	3	3
Alexander Kelton	4	4	-	-	-	-

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

* Paul MacRae attended an Audit and Risk Committee when Sam Saba was not able to attend.

Shares under option

Unissued ordinary shares of FirstWave Cloud Technology Limited under option at the date of this report are as follows:

Grant date	Expiry date	Weighted average exercise price \$	Number under option
18/05/2016	19/05/2020	0.30	800,000
18/05/2016	19/05/2020	0.35	210,000
18/05/2016	19/05/2021	0.30	500,000
18/05/2016	19/05/2021	0.35	1,500,000
18/05/2016	19/05/2022	0.40	2,500,000
18/05/2016	11/05/2022	0.25	6,260,000
18/05/2016	11/05/2023	0.25	500,000
18/05/2016	11/05/2023	0.35	200,000
30/11/2017	31/05/2023	0.65	100,000
30/11/2017	31/05/2024	0.65	100,000
30/11/2017	28/02/2022	0.75	333,400
30/11/2017	28/02/2023	0.75	333,300
30/11/2017	28/02/2024	0.75	333,300
30/11/2017	31/05/2024	0.76	300,000
30/11/2017	31/05/2025	0.87	500,000
13/04/2018	12/04/2021	0.40	1,216,667
13/04/2018	12/04/2021	0.50	283,334
13/04/2018	12/04/2021	0.60	283,332
09/11/2018	30/06/2026	0.40	4,000,000
09/11/2018	30/06/2026	0.40	4,998,000
09/11/2018	30/06/2026	0.40	1,000,000
11/04/2019	30/09/2026	0.42	2,000,000
11/04/2019	31/08/2026	0.43	2,350,000
11/04/2019	30/06/2026	0.44	7,700,000
11/04/2019	28/02/2027	0.45	650,000
			38,951,333

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 2019 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 24 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 24 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 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.

Auditor

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

Letter from the Chair of the Remuneration and Nomination Committee

Dear Shareholders

On behalf of the company's Remuneration and Nomination Committee (the 'Committee'), I am pleased to present to you FCT's remuneration report for the year ended 30 June 2019 ('FY2019').

At the company's last Annual General Meeting ('AGM') in November 2018, it received a First Strike against its remuneration report. Following the strike, senior executives and directors of the company consulted with several of the company's large shareholders to establish the reasons for the strike and consequently, several changes have been made to its remuneration policy and practices.

FCT invests in a best in class product offering that answers a global challenge. To ensure its suite of products remains best in class and can be taken to the global marketplace, the company needs to attract and retain the best people from what is a highly competitive, global market for talent. The primary objective of the company's remuneration policy is to ensure that collectively FCT's directors, executives and employees have the skills and expertise to deliver long-term profitable growth and returns to shareholders. To meet this objective, the policy adopts the following key principles for key management personnel ('KMP') remuneration. It will:

- align with shareholder value;
- reward results, both short and long-term; and
- acknowledge the company's need, at its current stage of development, to conserve cash.

The company's long-term incentive ('LTI') plan is a key component of the KMP's remuneration satisfying each of the principles above. However, the company's LTI has been one of the areas where shareholders have had concerns, in particular, the quantum of options that has been granted to management during the year. I would like to step you through an example showing you the Board of Director's (the 'Board') thinking on how the company's LTI plan aligns with shareholder value creation. For the purpose of this example, I have used the options granted to the chief executive officer ('CEO') after last year's AGM.

An example

At the last AGM, shareholders approved the issue of 4,998,000 options to the CEO. The exercise price was struck using the five-day volume weighted average price ('VWAP') of the share price following the full year results announcement, calculated to be \$0.23, multiplied by an uplift factor. The following table shows the vesting dates, uplift factor and exercise prices:

Vesting date (A)	Number of options (B)	VWAP (C) \$	Uplift factor (D) %	Exercise price (CxD) \$
01/07/2019	1,666,000	0.23	125	0.29
01/07/2020	1,666,000	0.23	175	0.40
01/07/2021	1,666,000	0.23	225	0.52
	4,998,000			

In establishing the CEO's remuneration, a targeted annual LTI of \$251,192 was set by the Board. To achieve the target LTI, the share price was required to grow above the exercise price. The following table shows the share price required for the CEO to realise his full LTI:

Vesting date (A)	LTI target (B) \$	Number of shares (C)	Incremental share price to achieve LTI target (D) (B/C) \$	Exercise price (E) \$	Required to achieve LTI target (D+E) \$
01/07/2019	251,192	1,666,000	0.15	0.29	0.44
01/07/2020	251,192	1,666,000	0.15	0.40	0.55
01/07/2021	251,192	1,666,000	0.15	0.52	0.67

In issuing the options to the CEO the critical factor considered by the Board was to align the CEO's performance to shareholder value creation. This is best achieved by linking his remuneration to share price. This is highlighted in the following table which shows how shareholders wealth grows if the CEO achieves the share price needed for him to realise his full LTI target.

Share price required to achieve LTI target (A) \$	Shares on issue (B)	Market capitalisation (C) (AxB) \$	Market capitalisation when VWAP struck (D) \$	Increase in market capitalisation from time VWAP struck (E) (C-D) \$	Cumulative benefit to CEO (F) \$	Cumulative benefit to CEO of incremental increase in market capitalisation (F/E) %	Benefit to shareholders (E/D) %
0.44	280,805,705	123,554,510	45,102,543	78,451,967	251,192	0.32	174
0.55	280,805,705	154,443,138	45,102,543	109,340,595	502,384	0.46	242
0.67	280,805,705	188,139,822	45,102,543	143,037,279	753,576	0.53	317

If the CEO successfully drives the share price to his LTI three year target:

- shareholders will enjoy a 317% increase in their share price; and
- the CEO will receive 0.53% of the incremental increase in market capitalisation.

Your directors believe that alignment of the CEO to shareholder wealth generation is best aligned through the issue of options tied to the share price. This gives significant benefits to shareholders as can be seen from the example outlined above. Your directors do not consider the LTI reward to the CEO to be excessive.

I hope the above gives you an insight into the Board's deliberations on the company's LTI.

Action being taken

It is the Committee's and the Board's view, formed from past recruitment experience, that the combination of remuneration elements outlined under the framework in the remuneration report, that follows my letter, are required in full to achieve the policy's objective. In setting both the quantum and structure of the remuneration components, the Board will take the company's size and maturity into account.

Following some key changes to our corporate structure, shareholders will see some reclassification in our remuneration report. Further, following consultation with shareholders after the 2018 AGM, the Board has made changes to KMP remuneration as outlined in the remuneration report.

In summary, the remuneration report shows:

- changes in past KMP LTI after consultation with shareholders, including cancellation of granted options;
- when benchmarked against peers, the remuneration of the CEO and other KMP is below market, according to independent experts using a group of companies of comparable market value;
- remuneration received by the CEO and KMP was 76% of target remuneration; and
- the LTI plan will start to create value for management when the share price is above the exercise price. This requires a share price increase and consequent increase in shareholder value before the executives receive any value for their LTI awards. The example above explains this in more detail.

Conclusion

FCT remains focused on delivering share price appreciation, securing the capital structure necessary to support its strategic objectives, longer-term profitable growth and returns to shareholders. The Board believes that the company's current remuneration structure, which will be further refined by a comprehensive review in FY2020, positions the company well to achieve these goals.

We are committed to ongoing dialogue with our shareholders in relation to what is critical to your company's success. We thank you for your loyalty and look forward to your continued support.



Paul MacRae
Chairman, Remuneration and Nomination Committee

30 August 2019

REMUNERATION REPORT (AUDITED)

This remuneration report explains the company's approach to remuneration, performance and remuneration outcomes for its key management personnel ('KMP') for the year ended 30 June 2019 ('FY2019'). It also addresses the Board's response to the 'First Strike' against the remuneration report for the year ended 30 June 2018 ('FY2018'). In this report, 'senior executives' refers to the executive KMP, excluding non-executive directors.

The information provided in this remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001, as well as section 300A and associated regulations, particularly Corporations Regulation 2m.3.03.

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

1. Performance and reward summary, key context and changes
2. Persons addressed in this report
3. KMP remuneration framework and governance
4. Planned and actual executive remuneration for FY2019
5. Variable remuneration assessment/outcomes for FY2019
6. KMP contracts and termination arrangements
7. Non-executive Director ('NED') fees and approved fee pool
8. Links between company strategy and KMP remuneration
9. Statutory remuneration tables
10. Changes in KMP held equity and future costs
11. Other remuneration related matters including use of remuneration consultants

The Board hopes shareholders find the report useful and encourages shareholders to provide feedback on the development of FCT's remuneration practices and reporting.

1. Performance and reward summary, key context and changes

1.1 Company performance summary

An underlying principle of the FCT's remuneration policy is that remuneration must be linked to FCT's performance.

The following is a summary of statutory financial and share price performance information since the company listed in 2016:

	2016	2017	2018	2019
Revenue (\$)	6,401,718	6,435,660	7,817,128	8,831,731
Loss after tax (\$)	(4,654,811)	(5,066,543)	(8,717,386)	(11,007,337)
Share price (\$)	0.24	0.35	0.27	0.30
Change in share price (\$)	-	0.11	(0.08)	0.03
Dividends	-	-	-	-
Short-term change in shareholder value (share price and dividends)				
- Total value (\$)	-	0.11	(0.08)	0.03
- Percentage (%)	-	46.00	(23.00)	9.00
Long-term (cumulative) three year change in shareholder value				
- Amount (\$)	-	-	-	0.06
- Percentage (%)	-	-	-	23.00

In addition, the following indicators may be of interest to shareholders in assessing performance and reward outcomes:

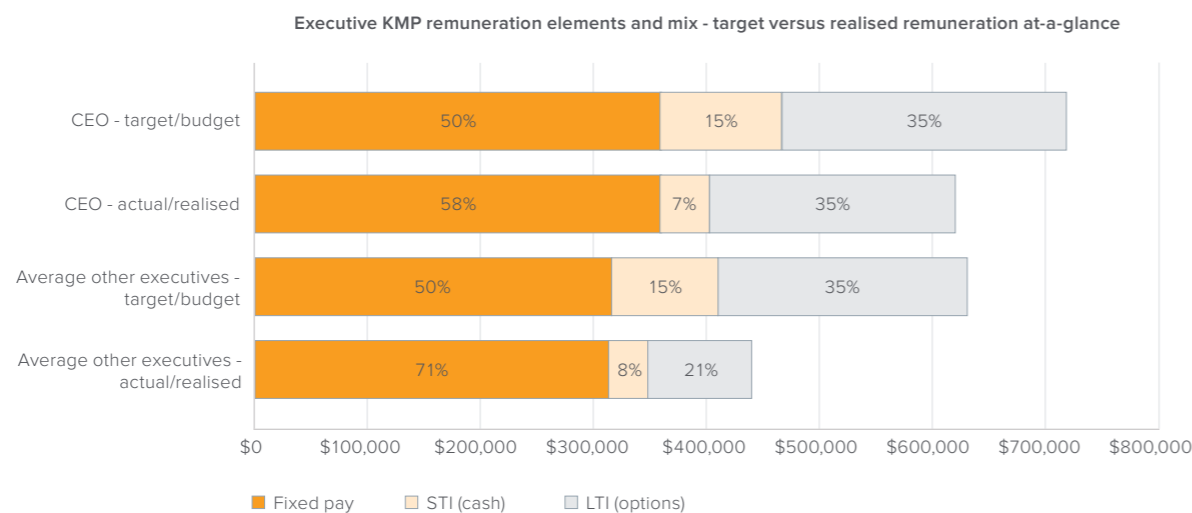
	2016 \$	2017 \$	2018 \$	2019 \$
SaaS revenue	4,652,183	5,629,291	7,484,057	7,928,743
Earnings before interest and tax ('EBIT')	(5,067,571)	(5,507,399)	(7,626,581)	(11,019,760)
Shareholders' share capital	15,733,846	15,773,846	25,231,669	36,506,677

The following milestones should also be noted:

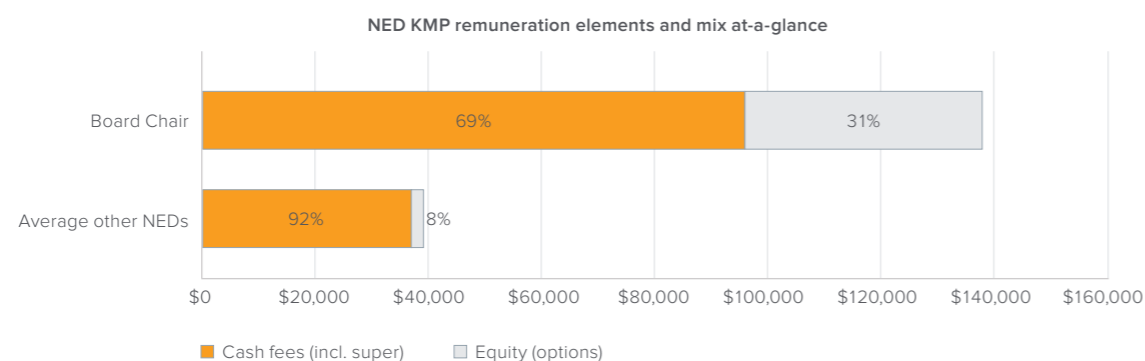
Milestone	Achieved
Moved to full operational readiness for its North American, European and Asian Platforms	Yes
Increased the number of 1st level partners from 0 to 3, and 2nd level partners from 1 to 2	Yes
Deployment of premium email service offering	Yes
Successfully completed Proof of Value ('POV') deployments in Europe, Africa and Asia	Yes
Secured first international revenue	Yes
Raised \$11 million of capital to pursue the Expand and Scale phases	Yes

1.2 KMP remuneration at-a-glance

The following chart summarises executive remuneration quantum and mix at target and actual performance for full year KMP:



The following chart summarises NED remuneration quantum and mix:



1.3 Key context for KMP remuneration governance in FY2019 and into the financial year ending 30 June 2020 ('FY2020')

The following outlines the key context relevant to KMP remuneration governance in FY2019 and into FY2020:

In November 2017, FCT announced a new strategic direction that saw the company move from a single vendor Australia focused business to a global multi-vendor focused business. The new strategy had three phases – “Enable, Expand and Scale”. The Enable phase was completed in FY2018 and involved establishing a new management team and repositioning its product and delivery offering. The new team required the right skill set to Expand and Scale the business from a single customer in Australia to a multiple customer base located in all major locations globally. The Expand phase was the focus of FY2019 and continues to be the ongoing focus into FY2020. Key agreements were completed – starting with the global security vendor – Cisco Systems, Inc. signed in July 2019. Other agreements have been signed including NTT DATA UK Limited and SHEL Global Ltd. FCT’s product service agreement with Telstra Corporation Ltd was also renewed during the year.

The milestones that have been achieved this year are listed above.

The opportunities that new customers are presenting have required additional executive and technical resources to execute their potential. As FCT moves through the Expand phase of its strategy, the company’s remuneration framework provides the Board with the flexibility to adjust the performance elements of executive remuneration to ensure the company maintains its momentum through this important phase.

At the 2018 AGM, the company received a First Strike against its remuneration report. This matter is discussed further below, where the concerns raised by some shareholders are outlined and the actions that the Board has taken in respect of those concerns:

- 76% of voting shareholders voted against the remuneration report. As this percentage exceeds the percentage outlined in the Corporations Act 2001 of 25% of the votes cast by persons entitled to vote, the remuneration report received a ‘First Strike’.
- In these circumstances, the Corporations Act 2001 requires FCT to include in this year’s remuneration report an explanation of the Board’s proposed action in response to that ‘First Strike’ or, alternatively if the Board does not propose any action, the Board’s reason for such inaction.
- In summary, the common themes arising from the consultation process regarding the strike are set out below:
 - the level of options issued is seen as dilutive;
 - the option expiry period at five years from date of vesting is seen as too long and does not align with the timeframe of shareholders for value accretion; and
 - the former Chairman received consulting fees as part of his remuneration, which is generally seen as compromising the independence of a NED.

During the year, the Board made several decisions in support of this objective including:

- Following the First Strike, the Board actively consulted shareholders and shareholder representatives, who had raised issues with last year’s remuneration report, to seek their feedback on FCT’s remuneration practices and reporting, and to understand how this can be best represented in this report. The Board has taken their comments into consideration when framing the remuneration policy. This is further outlined in this section of the report. The Board also made changes to the format and content of the remuneration report with the aim of being clear and transparent, with a greater focus on demonstrating to shareholders the link between remuneration strategy and performance of FCT.
- Continuing to set challenging performance measures for the FY2019 Short-Term Incentive (‘STI’) plans focusing on financial performance (75%), as well as strategic non-financial measures (25%). This emphasis towards financial performance will continue for FY2020.
- The review of the overall remuneration framework of FCT continues to evolve, including benchmarking to ensure that the salaries for the chief executive officer (‘CEO’) and senior executives are competitive.

In terms of your company’s directors:

- Given your company is in the growth phase of an international expansion and yet to achieve positive operating cash flows, the directors invest considerable time to provide their expertise and counsel out of the cycle of Board meetings.
- Each director has invested to acquire shares in the company.
- There have been no fees paid to committee members and only the Chair of the Audit and Risk Committee received a fee.

1.4 Response to the “First Strike” and key changes to KMP remuneration governance in FY2019 and into FY2020

In response to the ‘First Strike’, the Board undertook a market review and arranged for the Chairman and the Chairman of the Remuneration and Nomination Committee to consult with a number of advisors and stakeholders including institutional investors to understand the reasons why FCT received the vote against the FY2018 remuneration report. In developing the remuneration strategy for FY2019 and beyond as outlined in this report, the Board has taken into account feedback from stakeholders, external advice from its independent remuneration consultant, market practice and, most importantly, what the Board has identified as the key drivers to achieve the strategic objectives of the company. Key changes include:

- cancellation of the one million options granted to the CEO on his previous appointment as Chief Financial Officer (‘CFO’) (5,000,000 remaining);
- cancellation of 250,000 of the options issued to the CFO (1,500,000 remaining);
- cancellation of 750,000 of the options issued to the General Counsel, Company Secretary and Head of Human Resources (1,250,000 remaining);
- each of the cancellations will be actioned in FY2020; and
- during the year, the CEO and Chief Technology Officer re-invested from their after-tax remuneration into the business.

Independent expert review

The Board engaged Godfrey Remuneration Group (‘GRG’) to undertake a review of KMP remuneration to assist the Board to respond to the strike. GRG has so far provided some observations to the Board as detailed below.

A high-level review of KMP remuneration quantum and structure, which indicated:

- NED fees were approximately aligned with, but below, market practices for comparable companies, although some standardisation could be considered, such as in respect of equity and committee fee arrangements. The Board intends to consider this in FY2020 as part of a broader review of the current framework and policy. The current shareholder approved Fee Limit reflected typical levels for comparable companies.

- In respect of the CEO's role, cash remuneration is below market benchmark midpoint for comparable companies. The value of the equity component of the CEO's remuneration package is also below market and is insufficient for a role that carries primary responsibility for long-term value creation for shareholders.
- In respect of other executive KMP, fixed remuneration is below market benchmark for comparable companies. Variable remuneration is overly weighted towards STIs and consideration could be given to rebalancing to longer term outcomes by providing more in the form of equity.

The practice of granting long-term incentives ('LTI') only every three years is dated and likely to be exacerbating dilution. The more common practice of annual granting for comparable ASX listed companies can average out valuations over the long term and therefore reduce dilution when the company is growing.

Advice on ways to manage dilution while ensuring KMP remuneration creates appropriate alignment with shareholder interests:

- several factors including timing, valuation factors, up-front granting for multiple years and the use of premium exercise prices appear to have conflated to produce a dilutive arrangement under the approach to date;
- consideration be given to replacing the options plan with a rights plan that would be less dilutive, which the Board will consider in FY2020; and
- consideration be given to refining the method of valuation of executive equity arrangements for granting purposes to improve alignment with market expectations.

Dilution

In employing a new senior executive team, the Board consciously decided to acquire a highly talented senior management team with the skills and experience necessary to successfully drive the strategy from a single vendor in Australia to a multi-vendor model focusing on customers throughout the world. The company has favoured a greater "at risk" component for these new executives as a percentage of total remuneration. The use of equity over a higher cash remuneration has also assisted the company in conserving its cash while it continues to operate in a tight operating cash position.

The Board believes that grants of options align management with shareholder value creation, particularly when premium exercise prices are used (which tend to increase the number of options that must be granted to deliver a target value).

This report provides metrics that demonstrate the share price growth necessary for the CEO to receive the anticipated value from his existing options, that is, the CEO will only benefit, and dilution will only occur, when shareholders have experienced significant growth in value. However, the Board understands that there may be ways to provide similar alignment with a lower dilutive impact and the Board proposes to review other approaches.

The Board will also consider grant valuation methods and inputs to ensure appropriate alignment between market expectations and good governance practices adopted by the company going forward. Undertaking annual valuation and granting processes, if adopted, can be expected to produce a lower dilutive impact compared to making grants of LTI for future years in advance, particularly when the share price is expected to grow over future periods.

Option expiry period

In response to the option expiry period concern, the company will set the expiry period for the next round of options at three years from the vesting date, down from five years. This changed expiry period will apply to options issued to directors, management and employees. It should be noted that doing so reduces the value of the options, which, all other things being equal, increases the number required to be granted to deliver a target remuneration value. The Board did seek advice regarding altering previously issued options, however the legal, compliance and other impediments to doing so have made this alternative impractical. Therefore, the Board asks for the understanding of shareholders as it goes through the necessary processes to make the required changes in response to shareholder feedback.

Consulting fees for NEDs

There were no consulting fees paid to any NED in the current financial year.

Remuneration reporting

Finally, the Board has changed the format of this year's remuneration report in order to make it more readable and informative. The Board believes stakeholders will appreciate the open disclosure and clear presentation and welcomes any shareholder feedback and suggestions for improvement.

2. Persons addressed in this report

KMP encompasses all directors, as well as those senior executives who have specific responsibility for planning, directing and controlling material activities of FCT, as follows:

Director	Position
Sam Saba	Non-executive Director since 16 October 2017 Board Chairman from 6 November 2018 until 1 July 2019 Member of the Audit and Risk Committee since 6 November 2018
Scott Lidgett	Non-executive Director since 8 March 2016 Member of the Remuneration and Nomination Committee since 21 February 2017
Paul MacRae	Non-executive Director since 8 March 2016 Chairman of the Remuneration and Nomination Committee since 27 February 2017
Simon Moore	Non-executive Director since 1 March 2017 Chairman of the Audit and Risk Committee since 30 November 2017
Alexander Kelton	Board Chairman from 8 March 2016 until 6 November 2018 Member of the Audit and Risk Committee from 8 March 2016 until 6 November 2018 Member of the Remuneration and Nomination Committee from 21 February 2017 until 6 November 2018
Edward Keating	Non-executive Director since 8 March 2018 until 13 July 2018 Member of the Audit and Risk Committee from 8 March 2016 until 13 July 2018
Executives	Position
David Kirton	Chief Executive Officer since 22 August 2018
Neil Pollock	Chief Operating Officer and Head of International since 1 December 2017
Simon Ryan	Chief Technology Officer since 21 July 2007
Jason Singh	Chief Financial Officer since 11 April 2019

3. KMP remuneration framework and governance

The KMP remuneration framework is a series of policies, principles, practices and other documents that together form the governance of KMP remuneration. These include the:

- Remuneration and Nomination Committee Charter;
- executive remuneration policy;
- NED remuneration policy;
- STI policy and plan;
- LTI policy and plan; and
- securities trading policy.

3.1 Role of the Remuneration and Nomination Committee Charter

The Board, with assistance from the Remuneration and Nomination Committee, is ultimately responsible for ensuring that FCT's remuneration framework is consistent with the business strategy and performance supporting increased shareholder returns over the long term.

The Remuneration and Nomination Committee, consisting of two NEDs: Paul MacRae (Chairman) and Scott Lidgett, has been delegated responsibility for reviewing the remuneration strategy annually and advising the Board on remuneration policies and practices generally.

The Remuneration and Nomination Committee is responsible for:

- the ongoing appropriateness and relevance of the remuneration framework for the Chairman, the Board Committees and the NEDs;
- FCT's remuneration policy for the CEO, direct reports and other senior executives, any changes to the policy and the implementation of the policy including any shareholder approvals required; and
- incentive plans for the CEO, direct reports and other senior executives.

Further detail on the Remuneration and Nomination Committee's responsibilities is set out in its Charter, which is reviewed annually and available on FCT's website at: <https://www.firstwavecloud.com/corporate-governance.html>

3.2 Executive remuneration policy

This policy's objective is to provide levels of remuneration that attract, incentivise and reward the company's senior executives. It sets out how remuneration is to be structured, benchmarked and adjusted in response to changes in the circumstances of the company, and in line with good governance.

Remuneration for senior executives is composed of:

- fixed remuneration (inclusive of salary, superannuation, allowances, benefits and any applicable fringe benefits tax ('FBT')); and
- variable remuneration, which is partly at-risk reflecting performance against agreed targets, including:
 - STI for performance against annual objectives; and
 - LTI for performance against indicators of shareholder benefit or value creation, over a multi-year period.

In total the sum of the elements will constitute a total remuneration package ('TRP').

In setting the quantum of remuneration, both internal relativities and external market factors are considered.

TRPs are structured with reference to market practices, the practices of competitors for talent, and the circumstances of the company at the time.

Fixed package policy mid-points are set with reference to P50 (the median or the middle) of the relevant market practice.

TRPs at target are set between P50 and P75 (the upper quartile, the point at which 75% of the sample lies below) of the relevant market practice.

Consistent with market practice, remuneration is managed within a range of +/- 20% to allow for the recognition of individual differences such as the calibre of the incumbent and the competency in which they fulfil a role.

Termination benefits will generally be limited to the default amount allowed for under the Corporations Act 2001 (without shareholder approval).

Changes to remuneration resulting from annual reviews are generally determined in relation to:

- external benchmarking and/or market movements;
- whether current remuneration for the incumbent is above or below the policy midpoint/benchmark – those below the midpoint will tend to receive higher increases;
- the competence of the incumbent in fulfilling their role which determines their positioning within the policy range – higher calibre incumbents are intended to be positioned higher in the range; and
- any changes to internal relativities related to role/organisation design that have occurred since the previous review.

3.3 NED remuneration policy

This policy applies to NEDs of the company in their capacity as directors and as members of committees and is summarised below.

Remuneration will be composed of:

- Board fees;
- Committee fees;
- superannuation;
- other benefits; and
- equity (if appropriate at the time).

Remuneration will be managed within the aggregate fee limit ('AFL') approved by shareholders of the company.

The Board may seek adjustment to the AFL in the case of the appointment of additional NEDs, or should the AFL become insufficient to attract or retain the appropriate calibre of NEDs.

Remuneration is reviewed annually. Termination benefits are not paid.

A policy level of Board fees (being the fees paid for membership of the Board, inclusive of superannuation and exclusive of committee fees) is set with reference to the P50 (median or middle) of the market of comparable ASX listed companies.

Committee fees may be used to recognise additional contributions to the work of the Board by members of committees in circumstances where the workload of the Board is not equally shared.

The Board Chair fee will be set as a multiple of the fees payable to other NEDs, in recognition of the additional workload associated with this role.

3.4 STI policy

The STI policy of the company is targeted at annual performance against agreed targets and defines the component of remuneration that is at-risk:

- the STI is generally paid in cash following finalisation of the company's full year accounts;
- NEDs are excluded from participation;
- a termination of employment triggers forfeiture of some or all unearned STI entitlements depending upon the circumstances of the termination. The Board retains discretion to trigger or accelerate payment or vesting of incentives within the limitation on termination benefits as outlined in the Corporations Act 2001; and
- STIs are linked to the main drivers of performance at the group, business unit or individual level, as may be appropriate to the role and subject to Board discretion.

3.5 LTI policy

The LTI policy of the company is targeted at mid to long-term shareholder value creation and defines the component of remuneration that is linked to equity in the company and is therefore at the risk of share price movement:

- the LTI can be based on performance rights, options or share appreciation rights that produce a benefit for participants when performance objectives are met (which may include increasing share price);
- the measurement period for LTIs is generally at least three years; and
- a termination of employment will generally trigger a forfeiture of partial or all the LTIs held by an executive in respect of rights or options which have not vested. The Board retains discretion to trigger or accelerate payment or vesting of incentives within the limitation on termination benefits as outlined in the Corporations Act 2001.

3.6 Securities trading policy

The securities trading policy imposes trading restrictions on all FCT employees who are in possession of 'inside information' and additional restrictions in the form of trading windows for senior executives. Senior executives and members of the broader management team are prohibited from trading in FCT shares during specific periods prior to the announcement of the half and full year results and Appendices 4C. This policy applies equally to shares received as part of remuneration. The securities trading policy is available on FCT's website at: <https://www.firstwavecloud.com/corporate-governance.html>

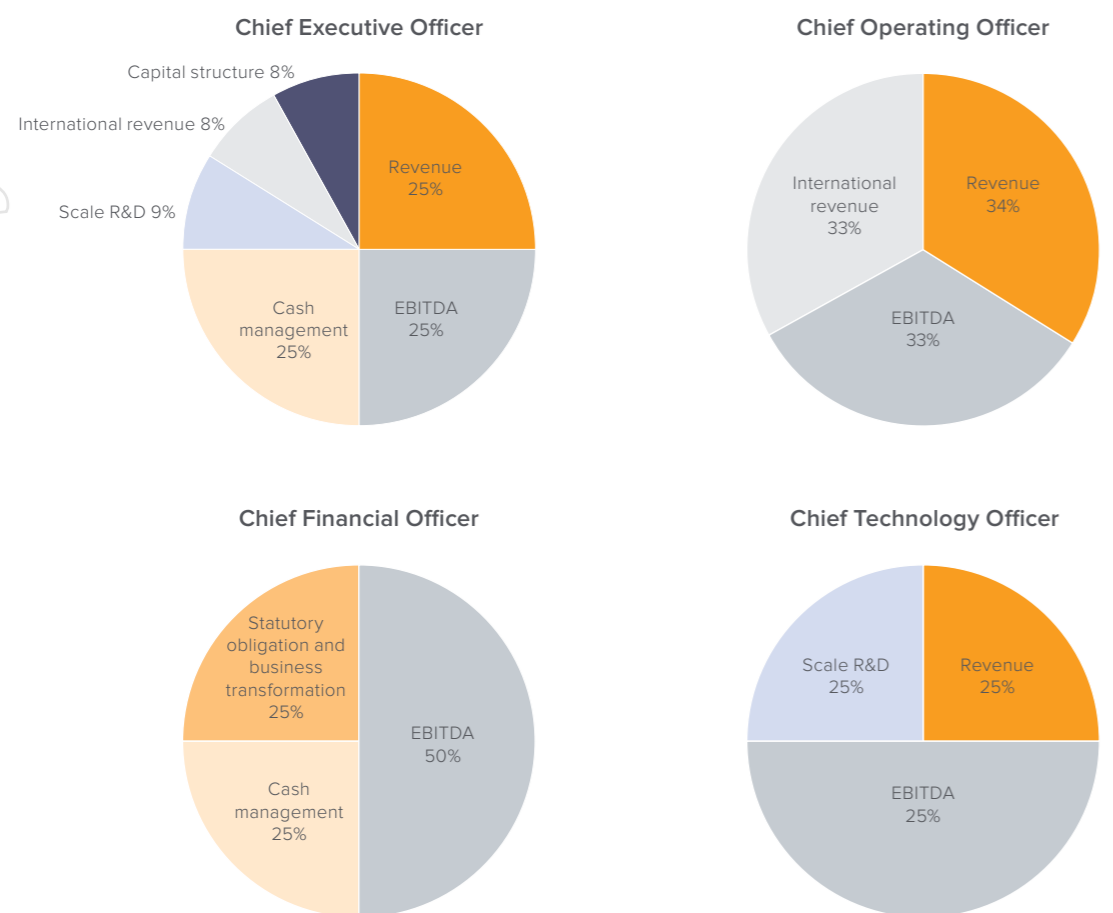
3.7 STI for FY2019 and FY2020

The STI is an at-risk component of remuneration and is designed to reward performance against the achievement of key performance indicators ('KPIs'), which are set annually. The FY2019 STI plan was designed to reward senior executives for the achievement of objectives closely aligned to the business strategy focusing the transformation from a single vendor based in Australia to a multi-vendor customer base with global reach. KPIs use both financial and non-financial measures of performance. KPIs are selected based on:

- what needs to be achieved over the 12-month period; and
- key outcomes required to realise the business strategy over the longer term, and hence contribute to increased value for shareholders.

Senior executives' KPIs are aligned to the KPIs for the CEO and are based on a mix of day-to-day financial and operational KPIs and more strategic KPIs which support the long-term business strategy, adjusted to reflect individual roles.

The STI performance period for FY2019 was from 1 July 2018 to 30 June 2019.



The maximum STI available to each senior executive was set at a level based on role, responsibilities and market data for the achievement of targets against specific KPIs. The maximum STI opportunity for the CEO was 60% of fixed pay and for other executive KMP was 45% of fixed pay on average.

The Remuneration and Nomination Committee assesses the CEO's performance and individual senior executive's performance based on the CEO's recommendations, against the KPIs set at the beginning of the financial year. The assessment of individual performance is combined with the achievement of financial results to determine the amount of payment for the CEO and each senior executive. The Remuneration and Nomination Committee recommends the STI payment outcome to the Board for approval. STI payments for FY2019 were delivered as cash payments following approval by the Board.

Unless the Board determines otherwise, the treatment of STI opportunities in the case of a termination may be summarised as follows:

Departure from FCT	Treatment of STI opportunity
Resignation and retirement	Any entitlement to a payment is subject to the participant being employed by the company at the time of payment.
Company initiated termination	Any entitlement to a payment is based on completed months of service with no pro-rata for partly completed months. To be entitled to a pro-rata payment the individual will need to have completed nine months of service during the financial year.
Summary dismissal	If summarily dismissed a participant forfeits all rights to any payments under the STI which had not already been made.

In the case of a change of control, entitlement to the STI will be assessed and paid based on consideration of the elapsed period and performance to the date of change of control.

No clawback or malus policy has been built into the plan at this time and no separate policy has been developed.

The FY2020 STI plan will continue the strong focus on aligning senior executive reward with the financial performance of FCT. The weighting for FY2020 for the CEO is:

- Financial performance: 80%
- Individual performance: 20%

3.8 LTI plan for FY2019 and into FY2020

The LTI is targeted at mid to long-term (approximately three years) shareholder value creation and defines the component of remuneration that is linked to equity in the company and is therefore at the risk of share price movement. The FY2019 LTI plan was designed to reward senior executives for increasing share price by using options, that is, if the share price did not increase for shareholders, executives received no benefit.

In determining the performance hurdles for the CEO's options, the Board considered that an absolute share price target was more appropriate than a relative (i.e. peer comparison) share price appreciation or total shareholder return target. The reason for this is that the Board anticipates that growth in FCT's share price should significantly exceed that of its peers and as such a peer comparison would not give the appropriate stretch target for the CEO.

In FY2019, grants of options were subject to continued service vesting conditions over one, two and three financial years in three equal tranches. While the proposed grants were intended to fulfil the remuneration component of executives for three years (up-front granting for multiple years), the full amounts could not be granted and therefore arrangements appropriate for future years are currently under review.

The options issued to the CEO and Chief Operating Officer during the year were approved by shareholders at the AGM held on 9 November 2018.

Any options or rights issued in FY2020 or beyond under the current plan will have a three-year exercise period following vesting rather than a five-year period as has been the company's previous policy.

Each tranche was subject to a premium exercise price that serves as the performance condition required to be met for value to accrue to a participant. The following table shows the share price growth that is required for the CEO to achieve the LTI target value from his options (the same terms apply to grants to other executives in FY2019, in lesser volume as disclosed elsewhere in this report):

Exercise date	Exercise price \$	Number of option issued	Target LTI amount \$	Target share price* \$	Growth in share price** %
01/07/2019	0.29	1,666,000	251,192	0.44	191
01/07/2020	0.40	1,666,000	251,192	0.55	239
01/07/2021	0.52	1,666,000	251,192	0.67	291

* Share price required to deliver the target LTI value to the employee.

** This represents a share price growth from \$0.23 – being the five-day volume weighted average price ('VWAP') after the full year results announcement in August 2018. This was the agreed period to determine the exercise price of the options which are 125%, 175% and 225% of the five-day VWAP.

The Black Scholes valuation methodology valued the option grant to the CEO at \$217,263. The valuation methodology involves a number of variables including a volatility measure of 64%.

The annual LTI value that forms part of the CEO's remuneration package of \$217,263 is less than the intended policy/target level of annual LTI opportunity intended to be provided of \$251,192.

The foregoing is intended to make it clear that no benefit will arise for the CEO, and other executives, and that no dilution will arise, unless shareholders experience exceptional wealth creation.

In the case of a termination of employment, unless the Board determines otherwise:

Departure from FCT	Treatment of STI opportunity
Resignation and retirement	All unvested options will lapse on the date that the participant ceases to be an employee, however vested but unexercised options will be retained by the employee until the expiry date.
Death or disablement	All unvested options will lapse on the date that the participant ceases to be an employee, however vested but unexercised options will be retained.
Summary dismissal	All unvested options will lapse on the date that the participant ceases to be an employee, however vested but unexercised options will be retained.

In the case of a change of control, 100% of unvested options will vest which is appropriate to the nature of an option that has a marginal value relative to the exercise price (it is recognised that this treatment would not be appropriate for performance rights that have a non-marginal value).

No clawback or malus policy has been built into the plan at this time, and no separate policy has been developed.

There will be no additional LTI grant in FY2020 as grants of options already made are intended to cover a three-year period of remuneration. However, future arrangements in relation to grants of equity will be reviewed in FY2020.

4. Planned and actual executive remuneration for FY2019

4.1 Target remuneration

The following table outlines the planned remuneration at target for executives for the FY2019 period. This presents the actual fixed remuneration, target level of STI and policy level of LTI grant value that the Board intended to pay for the year if expectations were met:

KMP	Base package including super \$	Target fixed % of TRP	Target STI amount \$	Target STI % of TRP	Target LTI amount \$	Target LTI % of TRP	Total remuneration package at target performance \$
David Kirton	358,846	50	107,654	15	251,192	35	717,692
Neil Pollock	334,379	50	103,657	15	234,065	35	672,101
Simon Ryan	294,320	50	88,296	15	206,024	35	588,640
Jason Singh*	57,784	50	17,335	15	40,449	35	115,568

* Jason Singh was appointed CFO on 11 April 2019.

4.2 Maximum remuneration

The following table outlines the planned remuneration at maximum/stretch for executives for the FY2019 period. The maximum stretch target is 100% achievement of KPIs. This presents the actual fixed remuneration, maximum level of STI and the policy level of LTI grant value that the Board intended to pay for the year if expectations were met (note: the LTI is subject to binary conditions so no scaling applies):

KMP	Base package including super \$	Maximum fixed % of TRP	Maximum STI amount \$	Maximum STI % of TRP	Maximum LTI amount \$	Maximum LTI % of TRP	Total remuneration package at stretch performance \$
David Kirton	358,846	43	215,308	27	251,192	30	825,346
Neil Pollock	334,379	43	207,315	27	234,065	30	775,759
Simon Ryan	294,320	50	88,296	15	206,024	35	588,640
Jason Singh*	57,784	50	17,335	15	40,449	35	115,568

* Jason Singh was appointed CFO on 11 April 2019.

4.3 Actual/realised remuneration in respect of FY2019 completion

The following table outlines the realised remuneration for executives in respect of the company that was realised in the FY2019 period, taking account of performance outcomes. This presents the actual fixed remuneration paid, STI awarded immediately following the completion of FY2019 audit and the grant date value of LTI that vested:

KMP	Base package including super \$	Actual fixed % of TRP	Total STI awarded following completion of FY2019 (cash and equity) \$	Actual STI % of TRP	Value of LTI that vested following completion of FY2019 \$	Actual LTI % of TRP	Total remuneration package \$
David Kirton	358,846	58	44,138	7	217,263	35	620,247
Neil Pollock	334,379	62	40,000	7	169,173	31	543,552
Simon Ryan	294,320	85	30,000	9	20,600	6	344,920
Jason Singh*	57,784	66	4,400	5	25,189	29	87,373

* Jason Singh was appointed CFO on 11 April 2019.

It should be noted that because the share price is below the exercise price of the options that vested, the realised value of the options that vested is currently nil.

Details of STI and LTI outcomes for the reporting period are presented below.

5. Variable remuneration assessment/outcomes for FY2019

5.1 FY2019 STI performance metrics and outcome

The specific KPIs and the outcomes achieved for FY2019 are set out in the following table:

KMP	KPI summary (and weighting)	Target award \$	Target award achievement per KPI %	Award outcomes FY2019 paid FY2020 \$
David Kirton	Revenue (25%) EBITDA (25%) Cash position (25%) Individual KPIs: • First international revenue (8%) • Scaling development team (9%) • Capital structure (8%)	107,654	41	44,138
Neil Pollock	Revenue (33.3%) EBITDA (33.3%) Individual KPIs: • First international revenue (33.3%)	103,657	39	40,000
Simon Ryan	Revenue (25%) EBITDA (25%) Individual KPIs: • Scaling development team (50%)	88,296	34	30,000
Jason Singh	EBITDA (50%) Cash position (25%) Individual KPIs: • Statutory obligations (25%)	78,116	26	20,000

5.2 FY2019 LTI performance metrics and outcomes

LTI eligible to vest following the completion of FY2019 was subject to service testing only, with the performance aspect being the relationship between share price following vesting, and the exercise price. Since all participants remained employed as at the end of FY2019, the following options vested (none of which have been exercised, therefore no dilution has occurred in relation to LTI vesting):

KMP	Target performance and actual outcome	Number eligible to vest following FY2019 completion	% of tranche vested	Number vested	Value of LTI that vested (as per grant date valuation) \$	Realisable value (number x vesting date share price net of exercise price) \$
David Kirton	Remains employed	2,066,000	100	2,066,000	217,263	-
Neil Pollock	Remains employed	1,333,333	100	1,333,333	169,173	-
Simon Ryan	Remains employed	750,000	100	750,000	20,600	-
Jason Singh	Remains employed	833,334	100	833,334	113,504	-
		4,982,667		4,982,667	520,540	-

It should be noted that because the share price is below the exercise price of the options that vested, the realised value of the options that vested is currently nil.

6. KMP contracts and termination arrangements

The remuneration and other terms of employment for the CEO and senior executives are covered in their individual employment contracts and are summarised in the following table:

CEO	<ul style="list-style-type: none"> The contract for the CEO had an initial three-year term with renewal by agreement between the parties. The company may terminate without cause on providing six months' written notice. The CEO may terminate on providing three months' written notice. The CEO can be terminated immediately for serious misconduct. All remuneration and benefits are outlined in the contract and outlined in detail in this report.
Senior Executives	<ul style="list-style-type: none"> There are no guaranteed base pay increases included in any senior executive contract and no contract is for a fixed term. The contracts may be terminated by either party on three months' written notice. If a senior executive is retrenched there is no entitlement to contractual termination payments except where the company chooses to make a payment in lieu of notice. In the instance of serious misconduct, FCT may terminate employment at any time. The senior executive will only receive payment to the date of termination and any statutory entitlements. Retirement benefits comprise employer contributions to defined contribution superannuation funds.
NEDs	<ul style="list-style-type: none"> NEDs are engaged by letter of appointment. No termination payments or notice periods apply to NED engagements.

7. NED fees and approved fee pool

The Board sets NED remuneration at a level which balances the attraction and retention of directors of the highest calibre at a cost which is acceptable to shareholders. The remuneration of the NEDs is determined by the Board on recommendation from the Remuneration and Nomination Committee within a maximum fee pool.

NEDs receive a base fee. If appropriate, the Board may also pay committee fees to NEDs. The following table outlines the main Board and committee fees as at 30 June 2019 (no committee fees apply to other committees not listed):

Function	Role	Fee including super \$
Main Board	Chair	120,000
	Member	48,000
Audit and Risk Committee	Chair	10,000
	Member	-

NEDs also receive options. The terms of the FY2019 grants are as follows:

Issued to	Grant date	Expiry date	Number	Exercise price \$
Sam Saba	08/11/2018	01/07/2024	333,333	0.098
Sam Saba	08/11/2018	01/07/2025	333,333	0.094
Sam Saba	08/11/2018	01/07/2026	333,334	0.092

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 FY2019. Grants of options approved by shareholders do not count towards this limit.

8. Links between company strategy and KMP remuneration

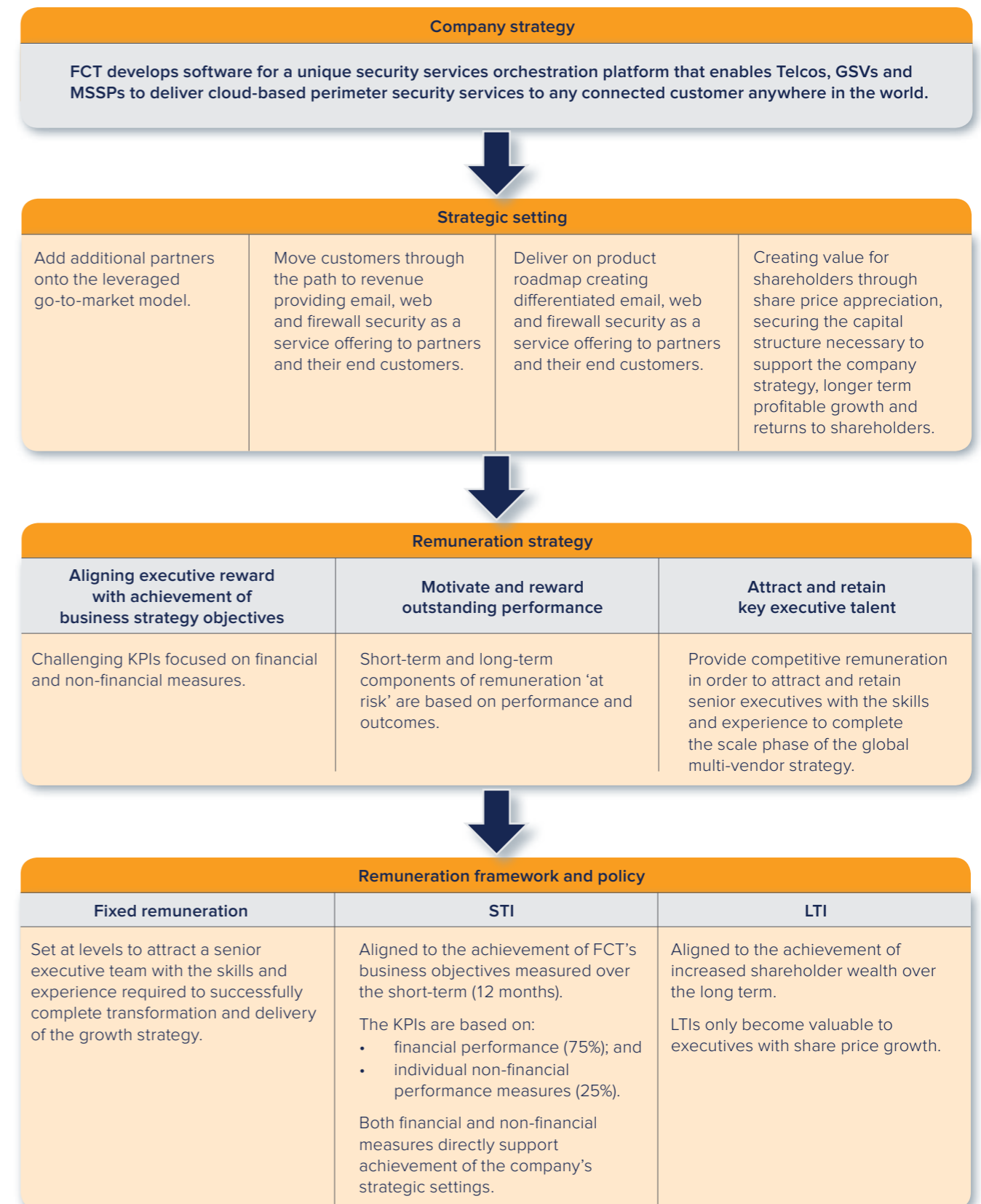
The Board has established a Remuneration Framework that supports and drives the achievement of the company strategy. The Board is confident that remuneration of the CEO and senior executives is aligned with shareholder interests. FCT is a business that is heavily focused on KPIs and rewards its people at all levels on achievement of those KPIs.

8.1 Remuneration principles

The key principles on which the FCT Remuneration Framework are based are:



The diagram below shows how the remuneration framework aligns remuneration with the company strategy and ultimately underpins sustainable long-term wealth creation for shareholders:



9. Statutory remuneration tables

The following table of NEDs and senior executive remuneration has been prepared in accordance with accounting standards and the Corporations Act 2001 requirements. The amounts shown are equal to the amounts expensed in the company's financial statements. It should be noted that the STI value is the amount paid during the reporting period (i.e. in respect of FY2018 performance) as required by statute, and FY2019 awards are disclosed above.

The option value presented relates to the application of AASB 2 'Share-based payments' and may differ from the values presented elsewhere in this report to which AASB2 is not relevant. Note that the option value in this table is a theoretical valuation and the options only have value if the share price is above the exercise price which ranges from \$0.44 to \$0.67.

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

	Short-term benefits		Post-employment benefits	Long-term benefits	Short-term benefits	Long-term benefits	Total
	Cash and salary fees	Other	Super-annuation	Long service leave	Bonus or equity-settled STI	Equity-settled LTI	
2019	\$	\$	\$	\$	\$	\$	\$
NEDs							
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
Senior executives							
David Kirton	333,846	-	25,000	-	44,138	217,263	620,247
Neil Pollock	312,601	-	21,778	-	40,000	169,173	543,552
Simon Ryan	270,846	-	23,474	16,767	30,000	20,600	361,687
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 CFO on 11 April 2019.

	Short-term benefits		Post-employment benefits	Long-term benefits	Short-term benefits	Long-term benefits	Total
	Cash and salary fees	Other	Super-annuation	Long service leave	Bonus or equity-settled STI	Equity-settled LTI	
2018	\$	\$	\$	\$	\$	\$	\$
NEDs							
Sam Saba	34,000	-	-	-	-	-	34,000
Scott Lidgett	48,000	-	4,560	-	-	-	52,560
Paul MacRae	48,000	-	-	-	-	-	48,000
Simon Moore	58,000	-	5,510	-	-	11,024	74,534
Alexander Kelton*	150,000	-	-	-	-	135,347	285,347
Edward Keating	48,000	-	4,560	-	-	-	52,560
David Garnier	20,000	-	1,900	-	-	-	21,900
Senior executives							
David Kirton	260,000	-	24,700	-	25,000	14,119	323,819
Neil Pollock**	175,000	-	12,192	-	20,000	-	207,192
Simon Ryan	216,724	-	20,589	4,145	20,000	51,358	312,816
Steven O'Brien***	24,012	170,000	19,238	-	-	-	213,250
	1,081,736	170,000	93,249	4,145	65,000	211,848	1,625,978

* Alexander Kelton's remuneration included consulting fees of \$30,000.

** Neil Pollock joined the company on 1 December 2017.

*** Steven O'Brien resigned as Managing Director on 26 September 2017. Other represents termination payments of \$170,000.

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

	Fixed remuneration % of TRP		STI % of TRP		LTI % of TRP	
	2019 %	2018 %	2019 %	2018 %	2019 %	2018 %
Senior executives						
David Kirton	58	88	7	8	35	4
Neil Pollock	62	90	7	10	31	-
Simon Ryan	86	78	8	6	6	16
Jason Singh	66	-	5	-	29	-
Steven O'Brien	-	100	-	-	-	-

10. Changes in KMP held equity and future costs

The following tables summarises changes in NED and executive KMP held equity due to purchase, sale, granting, vesting, exercise, forfeiture, etc, during the reporting period:

Shareholding	Balance at the start of the year	Received as part of remuneration	Purchased/ other	Disposals/ other	Balance at the end of the year
Ordinary shares					
Sam Saba	340,909	-	535,714	-	876,623
Scott Lidgett	19,654,847	-	-	(642,857)	19,011,990
Paul MacRae	1,634,888	-	410,714	-	2,045,602
Simon Moore	2,100,000	-	2,258,386	-	4,358,386
Edward Keating*	6,591,427	-	-	(6,591,427)	-
Alexander Kelton**	1,115,625	-	-	(1,115,625)	-
David Kirton	-	-	142,857	-	142,857
Simon Ryan	4,615,000	-	178,571	-	4,793,571
	36,052,696	-	3,526,242	(8,349,909)	31,229,029

* Disposal/others represents 6,591,427 shares held at resignation date.

** Disposal/others represents 1,115,625 shares held at resignation date.

Option holding	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares					
Sam Saba	-	1,000,000	-	-	1,000,000
Scott Lidgett	1,200,000	-	-	-	1,200,000
Paul MacRae	1,200,000	-	-	-	1,200,000
Simon Moore	1,000,000	-	-	-	1,000,000
Edward Keating*	1,200,000	-	-	(1,200,000)	-
Alexander Kelton**	4,200,000	-	-	(4,200,000)	-
David Kirton	1,000,000	4,998,000	-	-	5,998,000
Simon Ryan	1,500,000	-	-	-	1,500,000
Neil Pollock	-	4,000,000	-	-	4,000,000
Jason Singh***	250,000	1,500,000	-	-	1,750,000
	11,550,000	11,498,000	-	(5,400,000)	17,648,000

* Disposal/others for Edward Keating represents 1,200,000 options held at resignation date.

** Disposal/others for Alexander Kelton represents 1,200,000 options held at resignation date and 3,000,000 options forfeited during the year.

*** Balance at the start of the year represents options held by Jason Singh on the date of appointment as KMP.

The share option plan is subject to participants meeting service conditions (continuous employment with the consolidated entity) at the vesting date. There are no performance conditions.

Options granted carry no dividend or voting rights.

The following table outlines the minimum and maximum future values that may be expensed in relation to outstanding variable remuneration granted during the reporting period and outstanding as at the end of the reporting period (in satisfaction of Corporations Regulation 2m.3.03 12h) in respect of both NEDs and executives:

KMP	Tranche	Total value at grant \$	Value expensed in FY2019 \$	Maximum value to be expensed in future years \$	Minimum value to be expensed in future years \$
Sam Saba	1,000,000	75,733	42,293	33,440	-
David Kirton	4,998,000	378,515	211,382	167,133	-
Neil Pollock	4,000,000	302,933	169,173	133,760	-
Jason Singh	1,500,000	192,300	109,927	82,373	-
	11,498,000	949,481	532,775	416,706	-

11. Other remuneration related matters including use of remuneration consultants

11.1 Loans to KMP

There is an outstanding loan to Simon Ryan as at 30 June 2019 amounted to \$221,520. Interest is charged on the outstanding balance at 4.5% per annum. During the year ended 30 June 2019, interest of \$13,296 was received from Simon Ryan (2018: \$16,620) in respect of this loan.

11.2 Impact of Board discretion on KMP remuneration

The Board did not exercise any discretion during or following the reporting period that had any impact on KMP remuneration, other than those already noted such as in the case of the assessment of individual performance factors.

11.3 External remuneration consultant advice

During the reporting period, the Board engaged an external remuneration consultant to provide KMP remuneration recommendations.

The Board sought the support of GRG to provide advice on the appropriateness of KMP remuneration in the company's circumstances, including quantum and mix of remuneration elements. GRG was also engaged for the preparation of this remuneration report, however, this activity is not classifiable as KMP remuneration advice or recommendations. No amount was paid during the reporting period and the due amounts were subject to finalisation at the time of preparing this report, however, the amounts paid in respect of both activities will be disclosed in the FY2020 remuneration report as required.

It is the Board's view that the advice received from GRG was independent, because the advice was provided directly to a NED and the consultant involved provided assurance, they were not influenced by management in preparing the advice.

This concludes the remuneration report, which has been audited.

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,



Sam Saba
Non-executive Director



Simon Moore
Non-executive Director

30 August 2019

5 FINANCIAL REPORT

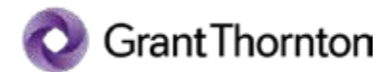
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“THE COMPANY’S INVESTMENTS ARE FOCUSED ON DEVELOPMENT AND TRANSFORMING INTO A MULTINATIONAL SAAS PLATFORM BUSINESS. IT’S A CHALLENGING BUT EXCITING TIME FOR FIRSTWAVE’S TEAM.”

Jason Singh | CFO FirstWave

AUDITOR’S INDEPENDENCE DECLARATION



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Auditor’s Independence Declaration

To the Directors of Firstwave Cloud Technology Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Firstwave Cloud Technology Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the 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, 30 August 2019

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FINANCIAL STATEMENTS

Statement of profit or loss and other comprehensive income For the year ended 30 June 2019

	Note	2019 \$	2018 \$
Consolidated			
Revenue			
Sales revenue	4	8,831,731	7,817,128
Cost of sales	6	(3,847,376)	(3,486,040)
Gross profit		4,984,355	4,331,088
Other income	5	799,899	613,247
Interest revenue calculated using the effective interest method		56,165	60,178
Expenses			
Sales and marketing		(6,867,873)	(3,816,082)
Engineering and development		(4,079,335)	(4,016,111)
General and administration		(5,856,945)	(4,746,533)
Finance costs	6	(43,603)	(19,043)
Total expenses		(16,847,756)	(12,597,769)
Loss before income tax expense		(11,007,337)	(7,593,256)
Income tax expense	7	-	(1,124,130)
Loss after income tax expense for the year attributable to the owners of FirstWave Cloud Technology Limited		(11,007,337)	(8,717,386)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(4,526)	-
Other comprehensive income for the year, net of tax		(4,526)	-
Total comprehensive income for the year attributable to the owners of FirstWave Cloud Technology Limited		(11,011,863)	(8,717,386)
		Cents	Cents
Basic earnings per share	32	(4.46)	(4.45)
Diluted earnings per share	32	(4.46)	(4.45)

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

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 30 August 2019. The directors have the power to amend and reissue the financial statements.

Statement of financial position As at 30 June 2019

	Note	2019 \$	2018 \$
Consolidated			
Assets			
Current assets			
Cash and cash equivalents	8	8,061,168	5,782,873
Trade and other receivables	9	1,029,353	2,270,819
Other	12	1,293,821	1,285,574
Total current assets		10,384,342	9,339,266
Non-current assets			
Property, plant and equipment	10	427,494	599,761
Intangibles	11	4,568,979	3,121,073
Other	12	563,987	614,111
Total non-current assets		5,560,460	4,334,945
Total assets		15,944,802	13,674,211
Liabilities			
Current liabilities			
Trade and other payables	13	2,596,317	2,862,311
Contract liabilities	14	3,553,775	-
Employee benefits	15	832,858	661,550
Borrowings	16	4,478	87,139
Other	18	240,759	2,132,531
Total current liabilities		7,228,187	5,743,531
Non-current liabilities			
Contract liabilities	14	691,817	-
Employee benefits	15	95,728	71,866
Provisions	17	152,649	152,649
Other	18	767,061	1,969,912
Total non-current liabilities		1,707,255	2,194,427
Total liabilities		8,935,442	7,937,958
Net assets		7,009,360	5,736,253
Equity			
Issued capital	19	36,506,677	25,231,669
Reserves	20	2,736,492	1,731,056
Accumulated losses		(32,233,809)	(21,226,472)
Total equity		7,009,360	5,736,253

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

Statement of changes in equity For the year ended 30 June 2019

Consolidated	Note	Issued capital	Reserves	Accumulated losses	Total equity
		\$	\$	\$	\$
Balance at 1 July 2017		15,773,846	1,621,813	(12,509,086)	4,886,573
Loss after income tax expense for the year		-	-	(8,717,386)	(8,717,386)
Other comprehensive income for the year, net of tax		-	-	-	-
Total comprehensive income for the year		-	-	(8,717,386)	(8,717,386)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	19	9,457,823	-	-	9,457,823
Share-based payments	33	-	109,243	-	109,243
Balance at 30 June 2018		25,231,669	1,731,056	(21,226,472)	5,736,253
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)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	19	11,275,008	-	-	11,275,008
Share-based payments	33	-	1,009,962	-	1,009,962
Balance at 30 June 2019		36,506,677	2,736,492	(32,233,809)	7,009,360

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

Statement of cash flows For the year ended 30 June 2019

	Note	Consolidated	
		2019	2018
		\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		12,040,951	10,481,554
Payments to suppliers and employees (inclusive of GST)		(19,335,535)	(14,664,835)
Interest received		56,165	57,904
Other income		961,646	613,247
Interest and other finance costs paid		(69,047)	(19,043)
Net cash used in operating activities	31	(6,345,820)	(3,531,173)
Cash flows from investing activities			
Payments for property, plant and equipment		(66,821)	(149,060)
Payments for intangibles		(2,501,411)	(1,556,369)
Net cash used in investing activities		(2,568,232)	(1,705,429)
Cash flows from financing activities			
Proceeds from issue of shares	19	11,822,000	10,139,995
Share issue transaction costs	19	(546,992)	(682,172)
Repayment of borrowings		(82,661)	(200,237)
Net cash from financing activities		11,192,347	9,257,586
Net increase in cash and cash equivalents		2,278,295	4,020,984
Cash and cash equivalents at the beginning of the financial year		5,782,873	1,761,889
Cash and cash equivalents at the end of the financial year	8	8,061,168	5,782,873

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

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2019

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:

AASB 9 Financial Instruments

The consolidated entity has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

AASB 15 Revenue from Contracts with Customer

The consolidated entity has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

Impact of adoption

The consolidated entity has adopted Accounting Standards AASB 9 and AASB 15 for the year ended 30 June 2019. The Accounting Standards were adopted from 1 July 2018 using transitional rules that allow for comparatives not be restated. The adoption of AASB 9 and AASB 15 did not result in any change to the opening net assets or the opening retained earnings as at 1 July 2018.

The adoption of these Accounting Standards and Interpretations resulted in the following adjustments:

- interest revenue is now shown separately on the face of the statement of profit or loss and other comprehensive income; and
- income received in advance has been reclassified from other liabilities to contract liabilities on the face of the statement of financial position.

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 AASB and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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 29.

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 2019 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 Australian dollars 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.

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

Fully managed services are recognised at a point in time on a monthly basis as soon as a service is provisioned, in accordance with customer contracts. 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 the 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.

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.

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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

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
- Furniture and fittings 5 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.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

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 five years.

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 five 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 five 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.

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.

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.

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 2019. 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.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (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 will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The impact of adoption of this standard as at 1 July 2019, using the modified retrospective approach, will result in the recognition of a right-of-use asset of approximately \$757,484 and recognition of lease liability amounting to \$950,419. The consolidated entity will also derecognise the opening balance of accrued lease provision amounting to \$192,935 which was provided under the previous accounting standards. As a result there is no net impact on retained earnings.

New Conceptual Framework for Financial Reporting

A revised Conceptual Framework for Financial Reporting has been issued by the AASB and is applicable for annual reporting periods beginning on or after 1 January 2020. This release impacts for-profit private sector entities that have public accountability that are required by legislation to comply with Australian Accounting Standards and other for-profit entities that voluntarily elect to apply the Conceptual Framework. Phase 2 of the framework is yet to be released which will impact for-profit private sector entities. The application of new definition and recognition criteria as well as new guidance on measurement will result in amendments to several accounting standards. The issue of AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework, also applicable from 1 January 2020, includes such amendments. Where the consolidated entity has relied on the conceptual framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under Australian Accounting Standards, the consolidated entity may need to revisit such policies. The consolidated entity will apply the revised conceptual framework from 1 July 2020 and is yet to assess its impact.

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 other various 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.

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.

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.

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.

Major customers

During the year ended 30 June 2019, there was one major external customer (2018: one customer) where revenue exceeded 10% of the consolidated revenue. Total revenue from the customer for the year ended 30 June 2019 amounted to \$8,612,612 (2018: \$7,598,771).

Operating segment information

	Consolidated		
	Australia \$	International \$	Total \$
2019			
Revenue			
Sales to external customers	8,817,796	13,935	8,831,731
Interest revenue	56,165	-	56,165
Total revenue	8,873,961	13,935	8,887,896
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			(11,007,337)
Income tax expense			-
Loss after income tax expense			(11,007,337)

	Consolidated		
	Australia \$	International \$	Total \$
2018			
Revenue			
Sales to external customers	7,817,128	-	7,817,128
Interest revenue	60,178	-	60,178
Total revenue	7,877,306	-	7,877,306
Adjusted EBITDA			(6,303,341)
Depreciation and amortisation			(1,221,807)
Interest revenue			60,178
Finance costs			(19,043)
Other non-cash expenses			(109,243)
Loss before income tax expense			(7,593,256)
Income tax expense			(1,124,130)
Loss after income tax expense			(8,717,386)

Note 4. Revenue from contracts with customers

	Consolidated	
	2019 \$	2018 \$
Licensing and support revenue	8,531,088	7,484,057
Professional services revenue	300,643	333,071
Total revenue	8,831,731	7,817,128

Disaggregation of revenue

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

	Consolidated	
	2019 \$	2018 \$
Timing of revenue recognition		
Licensing: over time	5,029,544	4,491,846
Support: over time	3,501,544	2,992,211
Professional services: point in time	300,643	333,071
	8,831,731	7,817,128

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

Note 5. Other income

	Consolidated	
	2019 \$	2018 \$
Research and development grant income*	730,761	611,166
Other income	69,138	2,081
Total other income	799,899	613,247

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

Note 6. Expenses

	Consolidated	
	2019 \$	2018 \$
Loss before income tax includes the following specific expenses:		
Cost of sales		
Cost of licenses	3,847,376	3,486,040
Depreciation		
Leasehold improvements	167,224	170,418
Furniture and fittings	-	4,375
Computer equipment	70,065	80,447
Computer platform	1,799	7,950
Total depreciation	239,088	263,190
Amortisation		
Capitalised development costs	1,027,332	936,309
Patents	26,173	22,308
Total amortisation	1,053,505	958,617
Total depreciation and amortisation	1,292,593	1,221,807
Finance costs		
Interest and finance charges paid/payable	43,603	19,043
Net foreign exchange variance		
Net foreign exchange variance	275,198	(3,840)
Rental expense relating to operating leases		
Minimum lease payments	448,684	343,168
Employee benefit expenses		
Employee salaries and other benefits	10,878,728	8,182,737
Defined contribution superannuation expense	654,047	531,156
Share-based payments expenses	1,009,962	109,244
Total employee benefit expenses	12,542,737	8,823,137

Note 7. Income tax expense

	Consolidated	
	2019 \$	2018 \$
Income tax expense		
Deferred tax – origination and reversal of temporary differences	-	1,124,130
Aggregate income tax expense	-	1,124,130
Deferred tax included in income tax expense comprises:		
Decrease in deferred tax assets	-	1,124,130
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(11,007,337)	(7,593,256)
Tax at the statutory tax rate of 27.5%	(3,027,018)	(2,088,145)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Amortisation of intangibles	282,516	257,485
Entertainment expenses	13,567	13,566
Non-deductible research and development incentive expenditure	832,768	587,497
Development costs	(640,464)	(421,751)
Deferred income	(200,959)	(167,394)
Sundry items	-	51,779
	(2,739,590)	(1,766,963)
Tax losses not recognised (including reversal of previously recognised tax losses)	2,328,158	2,861,051
Current year temporary differences not recognised	411,432	30,042
Income tax expense	-	1,124,130

	Consolidated	
	2019 \$	2018 \$
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	8,599,145	9,936,900
Potential tax benefit at statutory tax rates	2,364,765	2,732,648

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	
	2019 \$	2018 \$
Cash at bank	8,061,168	5,282,873
Cash on deposit	-	500,000
	8,061,168	5,782,873

Note 9. Trade and other receivables

	Consolidated	
	2019 \$	2018 \$
Trade receivables	572,697	1,706,880
Less: Allowance for expected credit losses	(49,808)	(22,206)
	522,889	1,684,674
Accrued revenue	-	45,248
Other receivables	11,179	319,377
Receivable from key management personnel	221,520	221,520
BAS receivable	273,765	-
	1,029,353	2,270,819

Allowance for expected credit losses

The consolidated entity has recognised a loss of \$49,808 (2018: \$nil) in profit or loss in respect of impairment of receivables for the year ended 30 June 2019.

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

	Consolidated – 2019		
	Expected credit loss rate %	Carrying amount \$	Allowance for expected credit losses \$
Not overdue	-	471,360	-
0 to 3 months overdue	3.960	18,283	724
3 to 6 months overdue	15.000	18,735	2,810
6 to 12 months overdue	30.000	25,779	7,734
Over 12 months overdue	100.000	38,540	38,540
		572,697	49,808

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

	Consolidated	
	2019 \$	2018 \$
Opening balance	22,206	22,206
Additional provisions recognised	49,808	-
Receivables written off during the year as uncollectable	(22,206)	-
Closing balance	49,808	22,206

Note 10. Property, plant and equipment

	Consolidated	
	2019 \$	2018 \$
Leasehold improvements – at cost	800,159	800,159
Less: Accumulated depreciation	(453,893)	(286,669)
	346,266	513,490
Furniture and fittings – at cost	16,592	16,592
Less: Accumulated depreciation	(16,592)	(16,592)
	-	-
Computer equipment – at cost	429,850	791,259
Less: Accumulated depreciation	(354,417)	(707,802)
	75,433	83,457
Computer platform – at cost	242,618	237,838
Less: Accumulated depreciation	(236,823)	(235,024)
	5,795	2,814
	427,494	599,761

Reconciliations

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

	Consolidated				
	Lease improvements \$	Furniture and fittings \$	Computer equipment \$	Computer platform \$	Total \$
Balance at 1 July 2017	580,606	4,375	119,678	9,232	713,891
Additions	103,302	-	44,226	1,532	149,060
Depreciation expense	(170,418)	(4,375)	(80,447)	(7,950)	(263,190)
Balance at 30 June 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

Property, plant and equipment secured under finance leases

Refer to note 26 for further information on property, plant and equipment secured under finance leases.

Note 11. Intangibles

	Consolidated	
	2019 \$	2018 \$
Capitalised development costs – at cost	12,336,080	10,168,100
Less: Accumulated amortisation	(8,132,815)	(7,105,483)
	4,203,265	3,062,617
Patents – at cost	141,250	121,888
Less: Accumulated amortisation	(89,605)	(63,432)
	51,645	58,456
Information systems (under development) – at cost	314,069	-
	4,568,979	3,121,073

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 \$	Total \$
Balance at 1 July 2017	2,467,020	56,301	-	2,523,321
Additions	1,531,906	24,463	-	1,556,369
Amortisation expense	(936,309)	(22,308)	-	(958,617)
Balance at 30 June 2018	3,062,617	58,456	-	3,121,073
Additions	2,167,980	19,362	314,069	2,501,411
Amortisation expense	(1,027,332)	(26,173)	-	(1,053,505)
Balance at 30 June 2019	4,203,265	51,645	314,069	4,568,979

Note 12. Other

	Consolidated	
	2019 \$	2018 \$
Current assets		
Prepayments	1,160,045	1,151,348
Security deposits	133,776	133,776
Other deposits	-	450
Total current assets	1,293,821	1,285,574
Non-current assets		
Prepayments	563,987	614,111
	1,857,808	1,899,685

Note 13. Trade and other payables

	Consolidated	
	2019	2018
	\$	\$
Current liabilities		
Trade payables	765,109	1,215,867
Accrued expenses	1,831,208	1,646,444
	2,596,317	2,862,311

Refer to note 22 for further information on financial instruments.

Note 14. Contract liabilities

	Consolidated	
	2019	2018
	\$	\$
Current liabilities		
Contract liabilities	3,553,775	-
Non-current liabilities		
Contract liabilities	691,817	-
	4,245,592	-

Reconciliation

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

	Consolidated
	2019
	\$
Recognised on adoption of AASB 15 on 1 July 2018	3,258,451
Payments received in advance	5,311,684
Transfer to revenue – included in the opening balance	(1,875,898)
Transfer to revenue – other balances	(2,448,645)
	4,245,592

Note 15. Employee benefits

	Consolidated	
	2019	2018
	\$	\$
Current liabilities		
Annual leave	652,812	490,423
Long service leave	180,046	171,127
	832,858	661,550
Non-current liabilities		
Long service leave	95,728	71,866
	928,586	733,416

Note 16. Borrowings

	Consolidated	
	2019	2018
	\$	\$
Current liabilities		
Lease liability	4,478	87,139

Refer to note 22 for further information on financial instruments.

Total secured liabilities

The total secured liabilities are as follows:

	Consolidated	
	2019	2018
	\$	\$
Lease liability	4,478	87,139

Assets pledged as security

The lease liabilities are effectively secured as the rights to the leased assets, recognised in the statement of financial position. These 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 one to three years from the draw-down date.

Financing arrangements

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

	Consolidated	
	2019 \$	2018 \$
Total facilities		
NAB lease facility	300,000	300,000
Corporate credit card facility	70,000	80,000
	370,000	380,000
Used at reporting date		
NAB lease facility	4,478	87,139
Corporate credit card facility	-	1,804
	4,478	88,943
Unused at reporting date		
NAB lease facility	295,522	212,861
Corporate credit card facility	70,000	78,196
	365,522	291,057

Note 17. Provisions

	Consolidated	
	2019 \$	2018 \$
Non-current liabilities		
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 18. Other

	Consolidated	
	2019 \$	2018 \$
Current liabilities		
Deferred research and development income	240,759	256,633
Income received in advance	-	1,875,898
	240,759	2,132,531
Non-current liabilities		
Deferred research and development income	767,061	587,359
Income received in advance	-	1,382,553
	767,061	1,969,912
	1,007,820	4,102,443

Note 19. Issued capital

	Consolidated			
	2019 shares	2018 shares	2019 \$	2018 \$
Ordinary shares – fully paid	280,805,705	224,733,105	36,506,677	25,231,669

Movements in ordinary share capital:

	Date	Shares	\$
Balance	01/07/2017	179,786,485	15,773,846
Issue of shares	20/10/2017	19,772,732	4,350,001
Issue of shares	25/05/2018	25,173,888	5,789,994
Share issue transaction costs, net of tax		-	(682,172)
Balance	30/06/2018	224,733,105	25,231,669
Issue of shares	21/11/2018	1,086,957	250,000
Issue of shares	06/12/2018	24,314,285	3,404,000
Issue of shares	07/03/2019	3,000,000	420,000
Issue of shares	02/04/2019	23,214,286	6,500,000
Issue of shares	30/04/2019	4,457,072	1,248,000
Share issue transaction costs, net of tax		-	(546,992)
Balance	30/06/2019	280,805,705	36,506,677

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 is 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 utilised in adherence with the governance principles underlying the consolidated entity's capital management policy under the authority of the Board of Directors (the 'Board').

The capital risk management policy remains unchanged from the 30 June 2018 Annual Report.

Note 20. Reserves

	Consolidated	
	2019 \$	2018 \$
Foreign currency reserve	(4,526)	-
Share-based payments reserve	2,741,018	1,731,056
	2,736,492	1,731,056

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 2017	-	1,621,813	1,621,813
Share-based payment expense	-	109,243	109,243
Balance at 30 June 2018	-	1,731,056	1,731,056
Foreign currency translation	(4,526)	-	(4,526)
Share-based payment expense	-	1,009,962	1,009,962
Balance at 30 June 2019	(4,526)	2,741,018	2,736,492

Note 21. Dividends

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

Note 22. Financial instruments

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks including 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. 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

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The consolidated entity is not exposed to any significant foreign currency risk.

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 (2018: 50) basis points would have a favourable/adverse effect on loss before tax of \$40,305 (2018: \$28,914) 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.

The consolidated entity has a credit risk exposure with one major customer, which as at 30 June 2019 owed the consolidated entity \$432,573 (76% of trade receivables) (2018: \$1,621,795 (94% of trade receivables)). This balance was within its terms of trade and no impairment was made as at 30 June 2019. 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 one 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	
	2019 \$	2018 \$
NAB lease facility	295,522	212,861
Corporate credit card facility	70,000	78,196
	365,522	291,057

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

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

Consolidated – 2018					
	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Non-derivatives					
Non-interest bearing:					
Trade payables	1,215,867	-	-	-	1,215,867
Interest-bearing – fixed rate:					
Lease liability	89,064	-	-	-	89,064
Total non-derivatives	1,304,931	-	-	-	1,304,931

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

Note 23. Fair value measurement

The carrying amounts of trade and other receivables and trade and other payables 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 24. 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	
	2019 \$	2018 \$
Audit services – Grant Thornton		
Audit or review of the financial statements	118,000	106,526
Other services – Grant Thornton		
Tax advice services	19,260	-
	137,260	106,526

Note 25. Contingent liabilities

The consolidated entity has given bank guarantees as at 30 June 2019 of \$133,776 (2018: \$133,776) to various landlords.

Note 26. Commitments

	Consolidated	
	2019 \$	2018 \$
Lease commitments – operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	436,584	310,860
One to five years	366,566	584,259
	803,150	895,119
Lease commitments – finance		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	4,498	89,064
Total commitment	4,498	89,064
Less: Future finance charges	(20)	
Net commitment recognised as liabilities	4,478	87,139
Representing:		
Lease liability – current (note 16)	4,478	87,139

Operating lease commitments relate to lease of office premises under non-cancellable operating leases expiring within one to four years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Finance lease commitments includes contracted amounts for various plant and equipment with a written down value of \$1,451 (2018: \$97,043) under finance leases expiring within one to three years. Under the terms of the leases, the consolidated entity has the option to acquire the leased assets for predetermined residual values on the expiry of the leases.

Note 27. 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	
	2019 \$	2018 \$
Short-term employee benefits	1,371,531	1,146,736
Post-employment benefits	84,846	93,248
Long-term benefits	16,767	4,145
Termination benefits	-	170,000
Share-based payments	477,555	211,849
	1,950,699	1,625,978

Note 28. Related party transactions

Parent entity

FirstWave Cloud Technology Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 30.

Key management personnel

Disclosures relating to key management personnel are set out in note 27 and the remuneration report included in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2019 \$	2018 \$
Sale of goods and services		
Sale of services to a director related entity of Simon Moore	4,079	-
Other income		
Interest received from key management personnel	13,296	16,620
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	
	2019 \$	2018 \$
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% (2018: 7.5%) per annum.

Terms and conditions

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

Note 29. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2019 \$	2018 \$
Loss after income tax	(505,103)	(632,910)
Total comprehensive income	(505,103)	(632,910)

Statement of financial position

	Parent	
	2019 \$	2018 \$
Total current assets	-	-
Total assets	32,415,726	21,645,821
Total current liabilities	-	-
Total liabilities	-	-
Equity		
Issued capital	36,506,677	25,231,669
Accumulated losses	(4,090,951)	(3,585,848)
Total equity	32,415,726	21,645,821

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 2019 and 30 June 2018.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2019 and 30 June 2018.

Capital commitments – Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2019 and 30 June 2018.

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; and
- 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 30. 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	
		2019 %	2018 %
FirstWave Technology Pty Ltd	Australia	100	100
FirstWave Cloud Technology Inc.	United States of America	100	100
FirstWave Cloud Technology (Singapore) Ltd	Singapore	100	100

Note 31. Cash flow information

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

	Consolidated	
	2019 \$	2018 \$
Loss after income tax expense for the year	(11,007,337)	(8,717,386)
Adjustments for:		
Depreciation and amortisation	1,292,593	1,221,807
Share-based payments – employees	1,009,962	109,243
Change in operating assets and liabilities:		
Decrease in trade and other receivables	1,068,559	937,084
Decrease in deferred tax assets	-	1,124,130
Decrease in prepayments	41,427	678,845
Decrease in other operating assets	450	-
Increase/(decrease) in trade and other payables	(259,360)	18,310
Increase in contract liabilities	4,245,592	-
Increase in employee benefits	195,170	153,439
Increase/(decrease) in other operating liabilities	(2,932,876)	943,355
Net cash used in operating activities	(6,345,820)	(3,531,173)

Changes in liabilities arising from financing activities

	Consolidated
	Lease liability \$
Balance at 1 July 2017	287,376
Net cash used in financing activities	(200,237)
Balance at 30 June 2018	87,139
Net cash used in financing activities	(82,661)
Balance at 30 June 2019	4,478

Note 32. Earnings per share

	Consolidated	
	2019 \$	2018 \$
Loss after income tax attributable to the owners of FirstWave Cloud Technology Limited	(11,007,337)	(8,717,386)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	246,617,998	196,098,013
Weighted average number of ordinary shares used in calculating diluted earnings per share	246,617,998	196,098,013
	Cents	Cents
Decrease in trade and other receivables	(4.46)	(4.45)
Decrease in deferred tax assets	(4.46)	(4.45)

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

Note 33. 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 a 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, 22,698,000 options were granted (2018: 4,050,000). The share-based payment expense for the year was \$1,009,962 (2018: \$109,243).

Set out below are summaries of options granted under the plan:

2019		Weighted average exercise price \$	Balance at the start of the year	Granted	Exercised	Expired/forfeited/other	Balance at the end of the year
Grant date	Expiry date						
18/05/2016	19/05/2020	0.30	800,000	-	-	-	800,000
18/05/2016	19/05/2020	0.35	210,000	-	-	-	210,000
18/05/2016	19/05/2021	0.30	500,000	-	-	-	500,000
18/05/2016	19/05/2021	0.35	1,500,000	-	-	-	1,500,000
18/05/2016	19/05/2022	0.40	2,500,000	-	-	-	2,500,000
18/05/2016	11/05/2022	0.25	6,260,000	-	-	-	6,260,000
18/05/2016	11/05/2023	0.25	500,000	-	-	-	500,000
18/05/2016	11/05/2023	0.35	200,000	-	-	-	200,000
18/05/2016	11/05/2024	0.25	2,000,000	-	-	(2,000,000)	-
18/05/2016	11/05/2024	0.35	200,000	-	-	(200,000)	-
18/05/2016	11/05/2025	0.35	800,000	-	-	(800,000)	-
30/11/2017	31/05/2023	0.65	100,000	-	-	-	100,000
30/11/2017	31/05/2024	0.65	100,000	-	-	-	100,000
30/11/2017	28/02/2022	0.75	333,400	-	-	-	333,400
30/11/2017	28/02/2023	0.75	333,300	-	-	-	333,300
30/11/2017	28/02/2024	0.75	333,300	-	-	-	333,300
30/11/2017	31/05/2024	0.76	300,000	-	-	-	300,000
30/11/2017	31/05/2025	0.87	500,000	-	-	-	500,000
13/04/2018	12/04/2021	0.40	1,416,667	-	-	(200,000)	1,216,667
13/04/2018	12/04/2021	0.50	316,667	-	-	(33,333)	283,334
13/04/2018	12/04/2021	0.60	316,666	-	-	(33,334)	283,332
09/11/2018	30/06/2026	0.40	-	4,000,000	-	-	4,000,000
09/11/2018	30/06/2026	0.40	-	4,998,000	-	-	4,998,000
09/11/2018	30/06/2026	0.40	-	1,000,000	-	-	1,000,000
11/04/2019	30/09/2026	0.42	-	2,000,000	-	-	2,000,000
11/04/2019	31/08/2026	0.43	-	2,350,000	-	-	2,350,000
11/04/2019	30/06/2026	0.44	-	7,700,000	-	-	7,700,000
11/04/2019	28/02/2027	0.45	-	650,000	-	-	650,000
			19,520,000	22,698,000	-	(3,266,667)	38,951,333
Weighted average exercise price (\$)			0.36	0.42	-	0.30	0.40

Outstanding options vested and exercisable as at 30 June 2019: 15,186,700 (2018: 4,203,400).

2018		Weighted average exercise price \$	Balance at the start of the year	Granted	Exercised	Expired/forfeited/other	Balance at the end of the year
Grant date	Expiry date						
18/05/2016	19/05/2020	0.30	800,000	-	-	-	800,000
18/05/2016	19/05/2020	0.35	230,000	-	-	(20,000)	210,000
18/05/2016	19/05/2021	0.30	750,000	-	-	(250,000)	500,000
18/05/2016	19/05/2021	0.35	2,250,000	-	-	(750,000)	1,500,000
18/05/2016	19/05/2022	0.40	3,750,000	-	-	(1,250,000)	2,500,000
18/05/2016	11/05/2022	0.25	6,260,000	-	-	-	6,260,000
18/05/2016	11/05/2023	0.25	1,460,000	-	-	(960,000)	500,000
18/05/2016	11/05/2023	0.35	1,640,000	-	-	(1,440,000)	200,000
18/05/2016	11/05/2024	0.25	2,000,000	-	-	-	2,000,000
18/05/2016	11/05/2024	0.35	200,000	-	-	-	200,000
18/05/2016	11/05/2025	0.35	800,000	-	-	-	800,000
18/05/2016	11/05/2024	0.45	1,440,000	-	-	(1,440,000)	-
30/11/2017	31/05/2023	0.65	-	100,000	-	-	100,000
30/11/2017	31/05/2024	0.65	-	100,000	-	-	100,000
30/11/2017	28/02/2022	0.75	-	333,400	-	-	333,400
30/11/2017	28/02/2023	0.75	-	333,300	-	-	333,300
30/11/2017	28/02/2024	0.75	-	333,300	-	-	333,300
30/11/2017	31/05/2024	0.76	-	300,000	-	-	300,000
30/11/2017	31/05/2025	0.87	-	500,000	-	-	500,000
13/04/2018	12/04/2021	0.40	-	1,416,667	-	-	1,416,667
13/04/2018	12/04/2021	0.50	-	316,667	-	-	316,667
13/04/2018	12/04/2021	0.60	-	316,666	-	-	316,666
			21,580,000	4,050,000	-	(6,110,000)	19,520,000
Weighted average exercise price (\$)			0.32	0.61	0.00	0.37	0.36

The weighted average share price during the financial year was \$0.25 (2018: \$0.29).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 4.77 years (2018: 4.76 years).

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 \$	Weighted average exercise price \$	Expected volatility %	Dividend yield %	Risk-free interest rate %	Fair value at grant date \$
09/11/2018	30/06/2026	0.20	0.40	64.00	-	1.75	0.095
11/04/2019	30/09/2026	0.31	0.42	64.00	-	1.75	0.168
11/04/2019	31/08/2026	0.31	0.43	64.00	-	1.75	0.161
11/04/2019	30/06/2026	0.31	0.44	64.00	-	1.75	0.166
11/04/2019	28/02/2027	0.31	0.45	64.00	-	1.75	0.170

Note 34. Events after the reporting period

No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

DIRECTORS' DECLARATION

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 2019 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the directors.



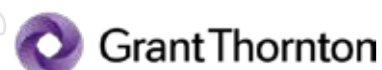
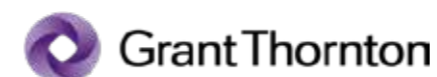
Sam Saba
Non-executive Director



Simon Moore
Non-executive Director

30 August 2019

INDEPENDENT AUDITOR'S REPORT



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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 2019, 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:

- giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the year ended on that date; and
- 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

Going concern (Note 1)

The Group made a loss of \$11,007,337 for the year ended 30 June 2019 and has accumulated losses of \$32,233,809 as at 30 June 2019. 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 judgement required in evaluating the Group's assessment of going concern.

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 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 Group's ability to continue as a going concern.

Our procedures included, amongst others:

- Obtaining and reviewing management's cash flow forecast to assess whether current cash levels can sustain operations for a period of at least 12 from the proposed 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.

Revenue recognition (Note 4)

Revenue of \$8,831,731 has been recognised during the year ended 30 June 2019, and contract liabilities of \$4,245,592 have been included in the statement of financial position.

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. In addition, new accounting standard AASB 15: *Revenue from Contracts with Customers* has been applied for the first time in the current financial year.

Our procedures included, amongst others:

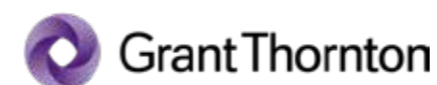
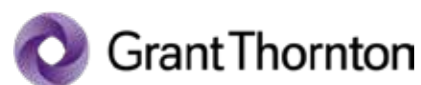
- Assessing the revenue recognition policies for appropriateness and compliance with AASB 15;
- Comparing revenue by month and across each revenue stream to prior periods in order to identify and follow up on unusual trends;
- Testing a sample of revenue transactions for each revenue stream by tracing 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.

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Key audit matter

How our audit addressed the key audit matter

Capitalised product development costs (Note 11)

Capitalised product development costs had a net carrying value of \$4,203,265 at 30 June 2019.

During the year the Group capitalised \$2,167,980 of project development costs. These intangible assets are being amortised over a 5 year period, and an amortisation expense of \$1,027,332 has been included in the statement of profit or loss and other comprehensive income.

AASB 138: Intangible Assets 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.

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.

Our procedures included, amongst others:

- 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 2019;
- Testing a sample of costs capitalised by tracing to underlying support such as vendor invoices and payroll 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;
- Evaluating the reasonableness of useful lives to be applied in future reporting periods; 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 2019 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: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 20 to 39 of the Directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Firstwave Cloud Technology Limited, for the year ended 30 June 2019 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, 30 August 2019

6 SHAREHOLDER INFORMATION

The shareholder information set out below is applicable as at 18 September 2019.

Distribution of shareholders

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

Range	Total shareholders	Shares	Shares %
1 to 1,000	1,709	75,606	0.03
1,001 to 5,000	290	830,835	0.30
5,001 to 10,000	223	1,814,385	0.65
10,001 to 100,000	824	33,561,554	11.95
100,001 and over	386	244,523,325	87.08
Rounding			-0.01
Total	3,432	280,805,705	100.00

Unmarketable parcels

	Minimum parcel size	Shareholders	Shares
Minimum \$500.00 parcel at \$0.2350 per unit	2,128	1,822	268,805

Substantial Shareholders

Substantial shareholders in the company are set out below:

Ordinary shares			
Rank	Name	Number held	% of total shares issued
1	Mr Greg Maren + Mrs Geraldine Maren (Maren Super Fund A/C)	16,722,741	5.96
2	Mr Scott Lidgett + Mrs Katherine Lidgett (Lidgett Super Fund A/C)	16,441,179	5.86

Top 20 Ordinary Shareholders

The names of the 20 largest shareholders of quoted equity securities are listed below:

Ordinary shares			
Rank	Name	Number held	% of total shares issued
1	Mr Greg Maren + Mrs Geraldine Maren (Maren Super Fund A/C)	16,722,741	5.96
2	Mr Scott Lidgett + Mrs Katherine Lidgett (Lidgett Super Fund A/C)	16,441,179	5.86
3	CS Third Nominees Pty Limited (HSBC Cust Nom Au Ltd 13 A/C)	9,800,000	3.49
4	HSBC Custody Nominees (Australia) Limited	5,643,419	2.01
5	Mr Edward Keating + Mrs Linda Keating	5,006,274	1.78
6	Mr Simon Ryan	4,615,000	1.64
7	Mr Richard Beswick	4,561,382	1.62
8	Mr David Rothwell	4,420,391	1.57
9	Willroth Pty Ltd (The Willroth A/C)	4,107,675	1.46
10	Eremite Pty Ltd (Jamieson Family A/C)	3,805,708	1.36
11	HSBC Custody Nominees (Australia) Limited – A/C 2	3,555,000	1.27
12	RTEC (NSW) Pty Ltd (RTEC Trading A/C)	3,000,000	1.07
13	Mr Scott Lidgett	2,570,811	0.92
14	Scott McNeillage Pty Limited (McNeillage Super Fund A/C)	2,293,684	0.82
15	Mr James Broomhead	2,266,104	0.81
16	Mr William Robert Carter + Ms Sarah Victoria Williams	2,170,000	0.77
17	Mr Simon Moore	2,100,000	0.75
18	Mazoongoo Pty Ltd (Mazoongoo Super Fund A/C)	2,045,602	0.73
19	Mr Greg Maren + Mrs Geraldine Maren (Maren Family A/C)	2,036,034	0.73
20	BM Jag Pty Ltd (BM Jag A/C)	2,000,000	0.71
Top 20 shareholders of fully paid ordinary shares		99,161,004	35.31
Total remaining shareholders' balance		181,644,701	64.69

Unquoted equity securities

	Number on issue
Options over ordinary shares	38,951,333

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.

7 GLOSSARY

BDM	Business development manager (sales executive).
CCSP	FirstWave's Cloud Content Security Platform, which is a unique SaaS security life-cycle orchestration platform for telco/service providers that redefines their delivery economics and prevents cybersecurity threats from impacting their customers.
CODM	Chief operating decision makers.
Content security	A product market category that comprises email security and web security.
Cybersecurity	The practice of protecting computers, networks, systems, programs and data from digital attacks or unauthorised access, which are intended for exploitation.
EBITDA	Earnings before interest, tax, depreciation and amortisation.
FirstWave, FCT or the company	FirstWave Cloud Technology Limited.
GRG	Godfrey Remuneration Group.
GSI	Global systems integrator.
GSV	Global security vendor, e.g. Cisco, Palo Alto Networks and Fortinet.
KMP	Key management personnel.
Level 1 service provider	A GSV or GSI partner of FCT (leveraged partner model).
LTI	Long-term incentive.
MSS	Managed security services.
MSSP	Managed security service provider, e.g. a Telco/SP that offers MSS to its enterprise/SMB.
NED	Non-executive Director of FCT.
OEM	Original equipment manufacturer, i.e. a company that produces equipment, marketed and sold by another manufacturer, e.g. what FirstWave provides to Cisco.
OEM Agreement	An OEM agreement between FCT and a Level 1 service provider being a GSV.
Orchestration platform	A platform that automates configuration, coordination and management of computer systems and software.
PCP	Prior comparative period.
PoV	Proof of value for end customer, i.e. a successful end customer full trial on the platform provides the catalyst to sign an order.
SaaS	Software as a Service.
SMB	Small and medium-size businesses.
STI	Short-term incentive.
Telco	A telecommunications company, whether a fixed network or mobile network operator or both.
TRP	Total remuneration package.
VWAP	Volume weighted average price.

8 CORPORATE DIRECTORY

Directors

John Grant	Executive Director and Chairman
Sam Saba	Non-executive Director
Scott Lidgett	Non-executive Director
Paul MacRae	Non-executive Director
Simon Moore	Non-executive Director

Chief Executive Officer

David Kirton

Company Secretary

Gai Stephens

Registered office

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Share registry

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Tel: 1300 787 272

Auditor

Grant Thornton Audit Pty Ltd
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Australia

Stock exchange listing

FirstWave Cloud Technology Limited shares are listed on the Australian Securities Exchange (ASX code: FCT).

Website

firstwavecloud.com

Corporate governance statement

The Corporate Governance Statement which was approved at the same time as the Annual Report, can be found at <https://www.firstwavecloud.com/corporate-governance.html>



FIRSTWAVE
CLOUD SECURITY TECHNOLOGY

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