

Firstwave Cloud Technology Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Firstwave Cloud Technology Limited
ABN:	35 144 733 595
Reporting period:	For the half-year ended 31 December 2020
Previous period:	For the half-year ended 31 December 2019

2. Results for announcement to the market

			\$
Revenues from ordinary activities	down	2.1% to	4,046,877
Loss from ordinary activities after tax attributable to the owners of Firstwave Cloud Technology Limited	down	2.8% to	(6,483,523)
Loss for the half-year attributable to the owners of Firstwave Cloud Technology Limited	down	2.8% to	(6,483,523)

Dividends

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

Comments

The loss for the consolidated entity after providing for income tax amounted to \$6,483,523 (31 December 2019: \$6,671,028).

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

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>0.65</u>	<u>0.39</u>

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

4. Audit qualification or review

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

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

5. Attachments

Details of attachments (if any):

The Interim Report of Firstwave Cloud Technology Limited for the half-year ended 31 December 2020 is attached.

6. Signed

As authorised by the Board of Directors

Signed  _____

John Grant
Executive Director and Chairman
Sydney

Date: 25 February 2021

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Firstwave Cloud Technology Limited

ABN 35 144 733 595

Interim Report - 31 December 2020

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Firstwave Cloud Technology Limited
Directors' report
31 December 2020

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Firstwave Cloud Technology Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2020.

Directors

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

John Grant - Executive Director and Chairman
Paul MacRae - Non-Executive Director
David Acton - Non-Executive Director
Scott Lidgett - Non-Executive Director (resigned on 4 February 2021)

Principal activities

During the financial half-year, 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 half-year.

Review of operations

Profit or loss performance

The consolidated entity's revenue for the financial half-year was \$4,046,877, which represents a decline of 2% over the prior comparative period ('PCP'). Licensing and support revenue increased by 1% and represented 93% of total revenue. Professional services revenue was \$301,132, decreasing 30% on PCP, representing 7% of total revenue.

The consolidated entity's loss after income tax amounted to \$6,483,523 (31 December 2019: loss of \$6,671,028).

The consolidated entity continued its investment in sales bringing on new senior sales resources both domestically and overseas and adding 20 new billing partners during the period.

The consolidated entity also continued its investment in the core platform and had 13 platforms deployed as at 31 December 2020 up from 11 at the start of the period and has deployed an 'on-premise' platform in the Middle East. The business now has traffic flowing on platforms on five continents and has expanded the product portfolio by adding a new Web Protect DNS product that delivered first revenues in December 2020.

The impact of COVID-19 varied across the regions, with UK, Europe and India being the most impacted. In the UK, some partners' sales teams were furloughed resulting in business being slowed and, in some cases, stopped. To counteract the slowed activity in Europe, the sales team shifted their attention to other regions such as North Africa where business activity is less impacted by COVID-19 and new business is still being won.

COVID-19 has not had a significant impact on the operations of the consolidated entity with the development, operations and support teams seamlessly switching to the new working from home environment. The business already employed resources from across the world and relied on video conferencing and online collaboration tools for a lot of development work and hence had procedures in place and experience to work remotely efficiently.

Statement of financial position

Cash and cash equivalents decreased by \$7,343,774 to \$7,937,564 (30 June 2020: \$15,281,338). Of this decrease, \$6,167,911 represented net cash outflows from operating activities. Net cash used in investing activities was \$1,667,938, reflecting continued investment on the development of the consolidated entity's intellectual property being the technology platform and the expansion of sales and marketing activities, particularly internationally. During the financial half-year, the company raised additional capital of \$533,449 which was solely from the exercise of sub-underwriter options.

Going concern

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

Firstwave Cloud Technology Limited
Directors' report
31 December 2020

The directors determined that the use of the going concern basis of accounting is appropriate in preparing the financial statements. The assessment of going concern is based on cash flow projections. The preparation of these projections incorporates a number of assumptions, considerations and judgements, that included the following:

- the research and development tax concession will continue to be claimed and approved at a similar level to \$2,061,928 that was received in January 2021 for the financial year ending 30 June 2021;
- the outstanding sub-underwriter options will be exercised prior to their expiry in August 2021 resulting in additional funding of \$966,551 for the entity; and
- the growth that was achieved in the international recurring revenue of 125% from June 2020 to December 2020 will not only continue but will accelerate. This is supported by the current pipeline and the release of a new web protect DNS product, that provided first revenues in December 2020 and further monthly recurring revenue increases in January 2021 and February 2021.

Furthermore, the consolidated entity has the ability to reduce its operating costs if the above assumptions vary.

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.

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial half-year

The research and development grant disclosed in trade and other receivables as at 31 December 2020 of \$2,061,928 was received in January 2021.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

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

On behalf of the directors



John Grant
Chairman



Paul MacRae
Director

25 February 2021

Auditor's Independence Declaration

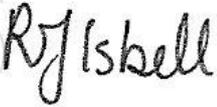
To the Directors of Firstwave Cloud Technology Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Firstwave Cloud Technology Limited for the year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

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



Grant Thornton Audit Pty Ltd
Chartered Accountants



R J Isbell
Partner – Audit & Assurance
Sydney, 25 February 2021

Firstwave Cloud Technology Limited

Contents

31 December 2020

Statement of profit or loss and other comprehensive income	5
Statement of financial position	6
Statement of changes in equity	7
Statement of cash flows	8
Notes to the financial statements	9
Directors' declaration	18
Independent auditor's review report to the members of Firstwave Cloud Technology Limited	19

General information

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

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

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

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 25 February 2021. The directors have the power to amend and reissue the financial statements.

Firstwave Cloud Technology Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2020

	Note	Consolidated 31 Dec 2020 \$	31 Dec 2019 \$
Revenue			
Sales revenue	3	4,046,877	4,135,149
Cost of sales		<u>(1,815,304)</u>	<u>(1,897,969)</u>
Gross profit		<u>2,231,573</u>	<u>2,237,180</u>
Other income	4	1,097,058	521,636
Interest income calculated using the effective interest method		61,363	26,941
Expenses			
Sales and marketing		(2,760,841)	(3,039,006)
Engineering and development		(3,500,602)	(2,985,451)
General and administration		(3,566,847)	(3,357,306)
Finance costs	5	<u>(45,227)</u>	<u>(75,022)</u>
Total expenses		<u>(9,873,517)</u>	<u>(9,456,785)</u>
Loss before income tax expense		(6,483,523)	(6,671,028)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Firstwave Cloud Technology Limited		(6,483,523)	(6,671,028)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>1,637</u>	<u>(4,273)</u>
Other comprehensive income for the half-year, net of tax		<u>1,637</u>	<u>(4,273)</u>
Total comprehensive income for the half-year attributable to the owners of Firstwave Cloud Technology Limited		<u>(6,481,886)</u>	<u>(6,675,301)</u>
		Cents	Cents
Basic earnings per share	16	(0.99)	(2.28)
Diluted earnings per share	16	(0.99)	(2.28)

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

Firstwave Cloud Technology Limited
Statement of financial position
As at 31 December 2020

		Consolidated	
	Note	31 Dec 2020	30 June 2020
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		7,937,564	15,281,338
Trade and other receivables	6	3,246,965	776,062
Contract assets		411,200	452,652
Other assets	7	836,519	1,265,875
Total current assets		<u>12,432,248</u>	<u>17,775,927</u>
Non-current assets			
Property, plant and equipment	8	161,688	228,928
Right-of-use assets	9	161,866	382,165
Intangibles	10	7,313,535	6,667,519
Other assets	7	711,782	192,016
Total non-current assets		<u>8,348,871</u>	<u>7,470,628</u>
Total assets		<u>20,781,119</u>	<u>25,246,555</u>
Liabilities			
Current liabilities			
Trade and other payables		3,140,067	3,068,781
Contract liabilities	11	1,476,405	3,046,578
Employee benefits		1,148,157	976,409
Borrowings		114,027	-
Lease liabilities		201,377	464,271
Other	12	986,363	429,264
Total current liabilities		<u>7,066,396</u>	<u>7,985,303</u>
Non-current liabilities			
Contract liabilities	11	291,233	592,812
Employee benefits		158,975	116,172
Provisions		152,649	152,649
Other	12	1,530,701	1,044,667
Total non-current liabilities		<u>2,133,558</u>	<u>1,906,300</u>
Total liabilities		<u>9,199,954</u>	<u>9,891,603</u>
Net assets		<u>11,581,165</u>	<u>15,354,952</u>
Equity			
Issued capital	13	55,563,082	54,667,525
Reserves		8,200,758	6,386,579
Accumulated losses		<u>(52,182,675)</u>	<u>(45,699,152)</u>
Total equity		<u>11,581,165</u>	<u>15,354,952</u>

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

Firstwave Cloud Technology Limited
Statement of changes in equity
For the half-year ended 31 December 2020

Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2019	36,506,677	2,736,492	(32,233,809)	7,009,360
Loss after income tax expense for the half-year	-	-	(6,671,028)	(6,671,028)
Other comprehensive income for the half-year, net of tax	-	(4,273)	-	(4,273)
Total comprehensive income for the half-year	-	(4,273)	(6,671,028)	(6,675,301)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	6,298,213	-	-	6,298,213
Share-based payments expenses (note 17)	-	500,000	-	500,000
Balance at 31 December 2019	<u>42,804,890</u>	<u>3,232,219</u>	<u>(38,904,837)</u>	<u>7,132,272</u>
Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2020	54,667,525	6,386,579	(45,699,152)	15,354,952
Loss after income tax expense for the half-year	-	-	(6,483,523)	(6,483,523)
Other comprehensive income for the half-year, net of tax	-	1,637	-	1,637
Total comprehensive income for the half-year	-	1,637	(6,483,523)	(6,481,886)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 13)	533,449	-	-	533,449
Share-based payments expenses (note 17)	-	2,174,650	-	2,174,650
Share issue on exercise of options	362,108	(362,108)	-	-
Balance at 31 December 2020	<u>55,563,082</u>	<u>8,200,758</u>	<u>(52,182,675)</u>	<u>11,581,165</u>

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

Firstwave Cloud Technology Limited
Statement of cash flows
For the half-year ended 31 December 2020

	Consolidated	31 Dec 2019
	31 Dec 2020	31 Dec 2019
	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	1,350,414	2,075,486
Payments to suppliers and employees (inclusive of GST)	(7,577,188)	(10,205,509)
Interest received	61,363	26,941
Interest and other finance costs paid	(2,500)	(75,022)
	<u>(6,167,911)</u>	<u>(8,178,104)</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(22,080)	(38,010)
Payments for intangibles	(1,645,858)	(2,017,505)
	<u>(1,667,938)</u>	<u>(2,055,515)</u>
Cash flows from financing activities		
Proceeds from issue of shares	533,449	6,693,878
Share issue transaction costs	-	(395,665)
Repayment of receivables from key management personnel	221,520	-
Repayment of lease liabilities	(262,894)	(62,569)
	<u>492,075</u>	<u>6,235,644</u>
Net cash from financing activities	<u>492,075</u>	<u>6,235,644</u>
Net increase/(decrease) in cash and cash equivalents	(7,343,774)	(3,997,975)
Cash and cash equivalents at the beginning of the financial half-year	15,281,338	8,061,168
	<u>7,937,564</u>	<u>4,063,193</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>7,937,564</u></u>	<u><u>4,063,193</u></u>

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

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2020 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

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, Black-Scholes or Monte Carlo 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.

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. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity during the financial half-year ended 31 December 2020 and are not expected to have any significant impact for the full financial year ending 30 June 2021.

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

Going concern

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

Note 1. Significant accounting policies (continued)

The directors determined that the use of the going concern basis of accounting is appropriate in preparing the financial statements. The assessment of going concern is based on cash flow projections. The preparation of these projections incorporates a number of assumptions, considerations and judgements, that included the following:

- the research and development tax concession will continue to be claimed and approved at a similar level to \$2,061,928 that was received in January 2021 for the financial year ending 30 June 2021;
- the outstanding sub-underwriter options will be exercised prior to their expiry in August 2021 resulting in additional funding of \$966,551 for the entity; and
- the growth that was achieved in the international recurring revenue of 125% from June 2020 to December 2020 will not only continue but will accelerate. This is supported by the current pipeline and the release of a new web protect DNS product, that provided first revenues in December 2020 and further monthly recurring revenue increases in January 2021 and February 2021.

Furthermore, the consolidated entity has the ability to reduce its operating costs if the above assumptions vary.

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.

Note 2. Operating segments

Identification of reportable operating segments

The consolidated entity's operating segments are based on the internal reports that are reviewed and used by the Chief Executive Officer and the Board of Directors (being the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

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.

Operating segment information

	Australia	International	Total
	\$	\$	\$
Consolidated - 31 Dec 2020			
Revenue			
Sales to external customers	3,598,938	447,939	4,046,877
Interest income	61,363	-	61,363
Total revenue	3,660,301	447,939	4,108,240
Adjusted EBITDA			(3,015,548)
Depreciation and amortisation			(1,309,461)
Interest income			61,363
Finance costs			(45,227)
Share-based payments expenses			(2,174,650)
Loss before income tax expense			(6,483,523)
Income tax expense			-
Loss after income tax expense			(6,483,523)

Note 2. Operating segments (continued)

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

Note 3. Revenue

	Consolidated 31 Dec 2020	Consolidated 31 Dec 2019
	\$	\$
Revenue from contracts with customers		
Licensing and support revenue	3,745,745	3,705,679
Professional services revenue	301,132	429,470
Total revenue	<u>4,046,877</u>	<u>4,135,149</u>

Disaggregation of revenue

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

	Consolidated 31 Dec 2020	Consolidated 31 Dec 2019
	\$	\$
<i>Timing of revenue recognition</i>		
Licensing: over time	2,617,099	1,805,619
Support: over time	1,128,646	1,900,060
Professional services: point in time	301,132	429,470
	<u>4,046,877</u>	<u>4,135,149</u>

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

Note 4. Other income

	Consolidated 31 Dec 2020	Consolidated 31 Dec 2019
	\$	\$
Research and development grant income	1,018,795	448,000
Other income	78,263	73,636
Other income	<u>1,097,058</u>	<u>521,636</u>

Note 5. Expenses

Consolidated
31 Dec 2020 **31 Dec 2019**
\$ **\$**

Loss before income tax includes the following specific expenses:

Depreciation

Leasehold improvements	64,751	64,752
Computer equipment	23,255	24,733
Computer platform	1,314	1,391
Right-of-use assets	220,299	224,663
	309,619	315,539

Total depreciation

Amortisation

Capitalised development costs	999,311	645,794
Patents	531	15,141
Information systems	-	29,882
	999,842	690,817

Total amortisation

Total depreciation and amortisation

1,309,461 1,006,356

Finance costs

Interest and finance charges paid/payable on lease liabilities	45,227	75,022
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Employee benefit expenses

Employee salaries and other benefits*	6,266,415	6,440,500
Defined contribution superannuation expense	346,793	417,600
Share-based payments expenses	2,174,650	500,000
	8,787,858	7,358,100

Total Employee benefit expenses

* Includes a salary sacrifice amount of \$606,377 (2019: \$nil). Share rights have been granted for cash forgone.

Note 6. Trade and other receivables

Consolidated
31 Dec 2020 **30 June 2020**
\$ **\$**

Current assets

Trade receivables	1,023,382	450,055
Less: Allowance for expected credit losses	(180,740)	(95,934)
	842,642	354,121

Research and development grant receivable

2,061,928 -

Other receivables

Receivable from key management personnel	48,135	59,290
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GST receivable	294,260	141,131
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3,246,965 776,062

Note 7. Other assets

	Consolidated	
	31 Dec 2020	30 June 2020
	\$	\$
<i>Current assets</i>		
Prepayments	669,562	1,132,099
Security deposits	166,957	133,776
	<u>836,519</u>	<u>1,265,875</u>
<i>Non-current assets</i>		
Prepayments	711,782	192,016
	<u>1,548,301</u>	<u>1,457,891</u>

Note 8. Property, plant and equipment

	Consolidated	
	31 Dec 2020	30 June 2020
	\$	\$
<i>Non-current assets</i>		
Leasehold improvements - at cost	647,510	647,510
Less: Accumulated depreciation	(554,013)	(489,262)
	<u>93,497</u>	<u>158,248</u>
Computer equipment - at cost	491,120	470,579
Less: Accumulated depreciation	(427,489)	(404,234)
	<u>63,631</u>	<u>66,345</u>
Computer platform - at cost	245,475	243,936
Less: Accumulated depreciation	(240,915)	(239,601)
	<u>4,560</u>	<u>4,335</u>
	<u>161,688</u>	<u>228,928</u>

Reconciliations

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

Consolidated	Leasehold improvements \$	Computer equipment \$	Computer platform \$	Total \$
Balance at 1 July 2020	158,248	66,345	4,335	228,928
Additions	-	20,541	1,539	22,080
Depreciation expense	<u>(64,751)</u>	<u>(23,255)</u>	<u>(1,314)</u>	<u>(89,320)</u>
Balance at 31 December 2020	<u>93,497</u>	<u>63,631</u>	<u>4,560</u>	<u>161,688</u>

Note 9. Right-of-use assets

	Consolidated	
	31 Dec 2020	30 June 2020
	\$	\$
<i>Non-current assets</i>		
Right-of-use	836,401	836,401
Less: Accumulated depreciation	<u>(674,535)</u>	<u>(454,236)</u>
	<u><u>161,866</u></u>	<u><u>382,165</u></u>

Reconciliations

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

Consolidated	Office Premises \$
Balance at 1 July 2020	382,165
Depreciation expense	<u>(220,299)</u>
Balance at 31 December 2020	<u><u>161,866</u></u>

Note 10. Intangibles

	Consolidated	
	31 Dec 2020	30 June 2020
	\$	\$
<i>Non-current assets</i>		
Capitalised development costs - at cost	17,862,741	16,231,139
Less: Accumulated amortisation	<u>(10,709,770)</u>	<u>(9,710,459)</u>
	<u>7,152,971</u>	<u>6,520,680</u>
Patents - at cost	192,814	178,558
Less: Accumulated amortisation	<u>(122,250)</u>	<u>(121,719)</u>
	<u>70,564</u>	<u>56,839</u>
Information systems - at cost	<u>90,000</u>	<u>90,000</u>
	<u><u>7,313,535</u></u>	<u><u>6,667,519</u></u>

Reconciliations

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

Consolidated	Capitalised development \$	Patents \$	Information systems \$	Total \$
Balance at 1 July 2020	6,520,680	56,839	90,000	6,667,519
Additions	1,631,602	14,256	-	1,645,858
Amortisation expense	<u>(999,311)</u>	<u>(531)</u>	<u>-</u>	<u>(999,842)</u>
Balance at 31 December 2020	<u><u>7,152,971</u></u>	<u><u>70,564</u></u>	<u><u>90,000</u></u>	<u><u>7,313,535</u></u>

Note 11. Contract liabilities

	Consolidated	Consolidated
	31 Dec 2020	30 June 2020
	\$	\$
<i>Current liabilities</i>		
Contract liabilities	<u>1,476,405</u>	<u>3,046,578</u>
<i>Non-current liabilities</i>		
Contract liabilities	<u>291,233</u>	<u>592,812</u>
	<u><u>1,767,638</u></u>	<u><u>3,639,390</u></u>

Reconciliation

The contract liabilities relate to sales of term-based contracts that have been prepaid and hence the entity is obligated to provide the services agreed under the contract. Reconciliation of the contract liabilities (current and non-current) during the current financial half-year are set out below:

	Consolidated
	31 Dec 2020
	\$
Balance at 1 July 2020	3,639,390
Payments received in advance	1,678,363
Transfer to revenue - included in the opening balance	(2,586,656)
Transfer to revenue - other balances	<u>(963,459)</u>
Balance at 31 December 2020	<u><u>1,767,638</u></u>

Note 12. Other

	Consolidated	Consolidated
	31 Dec 2020	30 June 2020
	\$	\$
<i>Current liabilities</i>		
Deferred research and development income	<u>986,363</u>	<u>429,264</u>
<i>Non-current liabilities</i>		
Deferred research and development income	<u>1,530,701</u>	<u>1,044,667</u>
	<u><u>2,517,064</u></u>	<u><u>1,473,931</u></u>

With the increased investment in development this has resulted in a higher research and development claim.

Note 13. Issued capital

	Consolidated		
31 Dec 2020	30 June 2020	31 Dec 2020	30 June 2020
Shares	Shares	\$	\$
Ordinary shares - fully paid	661,233,254	55,563,082	54,667,525

Movements in ordinary share capital

Details	Date	Shares	\$
Balance	1 July 2020	647,625,092	54,667,525
Issue of shares	17 September 2020	989,650	49,483
Issue of shares	15 October 2020	4,900,767	245,038
Issue of shares	23 November 2020	4,110,242	205,512
Issue of shares	25 November 2020	2,939,185	362,108
Issue of shares	24 December 2020	668,318	33,416
Balance	31 December 2020	661,233,254	55,563,082

Note 14. Dividends

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

Note 15. Fair value measurement

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

Note 16. Earnings per share

	Consolidated	
	31 Dec 2020	31 Dec 2019
	\$	\$
Loss after income tax attributable to the owners of Firstwave Cloud Technology Limited	(6,483,523)	(6,671,028)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	651,763,997	293,230,588
Weighted average number of ordinary shares used in calculating diluted earnings per share	651,763,997	293,230,588
	Cents	Cents
Basic earnings per share	(0.99)	(2.28)
Diluted earnings per share	(0.99)	(2.28)

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

Note 17. Share-based payments

The consolidated entity has a share option plan and a share rights plan to incentivise certain employees and key management personnel ('KMP'). Shareholders approved the Rights Plan at an Extraordinary General Meeting held on 29 July 2020. During the period, the Board established a long-term incentive scheme ('LTI') under the company's Share Rights Plan. Pursuant to the LTI, the Board will have the discretion to invite certain key executives to apply for Share Appreciation Rights, which have been designed to deliver long term variable remuneration opportunities for key executives, which have service and vesting conditions, that assist in aligning the interests of the executives, with shareholders of the company.

The Board made an initial grant of 2,575,739 Share Appreciation Rights to Iain Bartram, a KMP who joined the business as Chief Financial Officer on 17 August 2020. These rights have an exercise price of 11.9 cents and were valued using the Monte Carlo method at a value of 9.57 cents per right. \$123,249 has been expensed into the period's share-based payments to reflect the value of these rights.

On 30 September 2020, the company issued 344,850 Restricted Rights to employees (the offer excluded Management and Senior Executives) in lieu of a cash bonus. These rights have a nil exercise price and were valued at 15 cents.

In addition, during the period there were 467,070 new Service Rights issued, 59,556 of these Service Rights were issued to Kevin Bloch under the advisory agreement in place for his advisory services to the Technology and Markets committee. These service rights were issued fully vested and have been expensed at a value of \$7,500 which was based on a 5 day VWAP for the 5 days immediately following the Q1 update to shareholders delivered on 28 October 2020 and simultaneously released to the ASX. The balance were issued to a staff member and have subsequently been forfeited and therefore no expense has been taken up in the period for these rights.

The share-based payment expense for the period was \$2,174,650 (31 December 2019: \$500,000), out of which \$606,000 was off-set by the employees having agreed to salary sacrifice in lieu of service rights and hence saving the entity cash costs.

Accounting Standard AASB 2 requires the expensing of share-based payments to be evenly spread over the vesting period of the underlying share issue. The service rights granted to employees in lieu of salary sacrifice for the four quarters of FY21 were all granted on 1 June 2020 and hence are being expensed from that period. This has front loaded the expense resulting in a larger expense being recognised in H1 FY21 than will be recognised in H2 FY21 for these particular rights, and hence gives the impression of higher employment costs in H1 than would be presented if the standards allowed for the expense to be matched to the service periods the rights are being provided for. The salary sacrifice of the employees to receive these rights is consistently applied across the period and represented \$606,377 in cash savings to employment costs in H1.

Note 18. Events after the reporting period

The research and development grant disclosed in trade and other receivables as at 31 December 2020 of \$2,061,928 was received in January 2021.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Firstwave Cloud Technology Limited
Directors' declaration
31 December 2020

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



John Grant
Chairman



Paul MacRae
Director

25 February 2021

Independent Auditor's Review Report

To the Members of Firstwave Cloud Technology Limited

Report on the review of the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Firstwave Cloud Technology Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Firstwave Cloud Technology Limited does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Firstwave Cloud Technology Limited's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company 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 (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

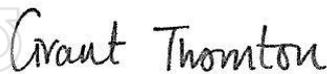
Directors' responsibility for the half year financial report

The Directors of the Company are responsible for the preparation of the half year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the half year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

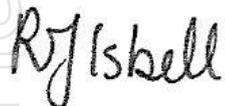
Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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



Grant Thornton Audit Pty Ltd
Chartered Accountants



R J Isbell
Partner – Audit & Assurance
Sydney, 25 February 2021