Annual Report 2016

FirstWave Cloud Technology Limited

ABN 35 144 733 595

Contents

1. Chairman's Letter

Dear Fellow Shareholders,

I have great pleasure presenting to you the first annual report of FirstWave Cloud Technology Limited (**FirstWave** or **Company**) as a publicly listed company. In May of this year, FirstWave celebrated its listing on the Australian Securities Exchange (ASX) through the former listed entity, Crestal Petroleum. This represented not only a key milestone in FirstWave's history, but a strong endorsement of the Company's products and the increasingly positive future ahead of us.

2016 was an exciting year for FirstWave in which the Company witnessed significant growth and development culminating in its successful ASX listing. During the course of the year, the Board and Management delivered a number of highly strategic achievements, including:

- Completion of the acquisition of FirstWave by Crestal Petroleum and the renaming of the entity to FirstWave Cloud Technology Limited;
- A strongly oversubscribed capital raising of $8 million in conjunction with the Company's ASX listing;
- The appointment of a highly experienced board of directors made up of relevant industry and business experience matched with corporate governance skills and a perspective of independence;
- Strengthening of the Company's relationship with Telstra through the execution of a new Product Supply Agreement (**PSA** or **Agreement**) for Telstra Cloud Gateway Protection Advanced;
- Significant upgrading of FirstWave's Cloud Content Security Gateway (CCSG) in Telstra;
- Post balance date, the execution of a number of new Next Generation Firewall (NGFW) Contracts following the integration of the Company's NGFW into Telstra's platform; and
- A 37% increase in full year revenue to $6.4m with a strong increase in gross margins.

I have touched on just some of the Company's achievements during the year with a greater level of detail of these achievements provided in the Managing Director's Report.

Underpinning the Company's strong performance in the 2016 financial year strong growth in new contracts across all product and services, including web, email, cloud security and firewall. It is pleasing to note that FirstWave's sales pipeline and tendering activity is now at record levels.

With the pipeline of opportunities for FirstWave growing at a rapid rate, the focus for the 2017 year will be upon execution. The more the Company can execute in closing these opportunities, increased shareholder value will be created.

Following this theme of growth is the continuing development of key strategic relationships with Telstra, Cisco and Palo Alto which are only just the beginning. Whilst there is a large domestic market opportunity, the Company is also assessing ways in which it can undertake significant international expansion and, as previously announced to the market, FirstWave remains in advanced discussions with a number of telecommunication partners with the ambition to become their cloud security infrastructure partner in a number of international markets.

Based on these strong achievements in such a relatively short period of time, the management team are to be commended for their efforts this year. All of us at FirstWave are aiming to ensure that 2017 is another year of strong growth for your company. The ongoing shift in industry dynamics is expanding with software, applications, storage and security all moving to the cloud, with the next generation cloud services experiencing exponential growth.

FirstWave will continue to build upon its solid reputation and partnerships and rollout its next generation cloud security services.

On behalf of the Board, I would like to thank all shareholders for their support, whether it be prior to or during the Company's IPO, and to those new shareholders who have joined us since listing. I look forward to an exciting and productive 2017.

Yours faithfully,

Drew Kelton
Non-Executive Chairman

2. Managing Director's Review of Operations

2016 Highlights

- Completion of the acquisition of FirstWave by Crestal Petroleum;
- Relisting on the ASX;
- $8m capital raising in conjunction with the Company's relisting;
- The appointment of a new board of directors;
- Strengthening of the Company's relationship with Telstra;
- Significant upgrading of FirstWave's Cloud Content Security Gateway (CCSG) in Telstra;
- Execution of a number of new Next Generation Firewall (NGFW) Contracts;
- 3-year customer contract terms;
- A 37% increase in full year revenue to $6.4m;
- Strong increase in gross margins;
- Development of strong partnerships with industry leaders;
- Increase in recurring revenue;
- Increase in pipeline of new opportunities; and
- Increase in Total Contract Value (TCV) execution.

Company Overview
FirstWave is an Australian cloud technology company which operates a technology business in the burgeoning cloud based IT managed security services market.

FirstWave has created an intelligent carrier grade cloud security platform for business and has delivered Software as a Service (SaaS) solutions since 2004 in a form similar to what is known as the *'cloud'* today. FirstWave has a long standing relationship with Telstra and offers a comprehensive cloud security and analytics technology solutions suite that, along with advanced mail, web and now Next Generation Firewall (**NGFW**) content controls, delivers a unified, integrated x-threat vector advanced malware protection technology solution for any business or enterprise moving to or operating in the cloud.

Since its inception, FirstWave has built a base of more than 300 customers which includes the largest Australian financial institutions, state and federal government, utilities, ASX listed and private companies across a range of industry sectors.

The 2016 Financial Year
Financial year 2016 marks another year of record growth for FirstWave which is a reflection on the Company's exposure to the booming cloud security services sector.

The Company has performed well in all areas with a record year of revenue and increasing gross margins. With increasing recurring revenue and capital from the Company's recent public offering in conjunction with its listing, FirstWave has a strong balance sheet to underpin the rollout and development of its products and services, and for international expansion opportunities.

FirstWave's organic growth for the year has been particularly strong with revenue up 37% to $6.4 million (FY2015: $4.7 million) and gross margin growing more than 40% year-on-year, illustrating the high margin nature of FCT's contract base. The Company ended the year with cash at bank (after deducting all costs incurred in association with listing upon the ASX) of just under $6 million which positions the Company well for the year ahead.

The strong progress and development of FirstWave in the 2016 financial year is best reflected through the following achievements:

A New Product Supply Agreement with Telstra:
Earlier this year, FirstWave entered into a new Product Supply Agreement (**PSA**) with Telstra. Under the PSA, FirstWave will deploy, integrate and operate its Cloud Content Security Gateway (**CCSG**) as the core services platform for Telstra's Cloud Gateway Protection Advanced (**CGPA**) product for enterprise and government customers.

In the initial rollout, multiple FirstWave CCSG platforms will be deployed in Telstra cloud data centres in both Sydney and Melbourne, supporting latest-generation virtualised Next Generation Fire Wall (**NGFW**) technologies from market leader Palo Alto Networks.

The CCSG is FirstWave's own unique services platform offering for Telcos and service providers. It is a fully adaptable and integrated solution specifically designed to enable Telcos and service providers to sell, deliver, bill and support advanced CCSG and solutions to downstream customers in a cost-effective, scalable and flexible manner. FirstWave CCSG is both enterprise and carrier grade and specifically architected for the multi-tenanted requirements of Telcos and cloud service providers.

A Significant Upgrade of FirstWave's Platform in Telstra:
In June, the Company announced a significant upgrade to its CCSG, the core services platform for the high-end, complex, cloud security needs of Telstra's enterprise and government customers. The licensing of the FirstWave CCSG platform, represented a major milestone for the Company and helped lead the Company to the Company's record financial year in terms of revenue and provides an even more positive outlook for FY2017.

FirstWave's platform upgrade dramatically speeds up and simplifies Telstra's provisioning of virtualised firewalls for secure enterprise and government networks. The solution architecture is highly flexible and scalable, and can support customers at any location. This provides Telstra with another innovative and critical cloud security solution for its 20,000+ enterprise and government customers who have assigned representation – a huge addressable market for FirstWave.

Of particular note is the fact that FirstWave's Australian development team has integrated world leading Palo Alto Networks' VM-Series next-generation firewalls into the Telstra cloud security gateway infrastructure. Palo Alto Networks' firewall technology is regarded as world leading, and we are pleased to bring this cutting edge technology to Telstra's enterprise customers as part of its cloud-based security offering.

Underpinning FirstWave's Revenue Base:
The Company's revenue base continues to grow and was strengthened as announced to the ASX in July 2016 with 15 new NGFW enterprise customers already secured for a total contract value of more than $2.4m across the Health, Non-For-Profit, Retail, Primary, Government (Local, State & Federal), Fast Food, Professional and Utilities sectors. The contract terms range from one to three years in length and underpin FirstWave's growing baseload of recurring revenue streams. The $2.4 million represents new revenue for the Company and will be booked progressively over FY2017 and the two years thereafter.

Strengthening Our Partnership with Cisco:
During the year, we also announced further enhancements to our cloud security platform for Telstra enterprise and government customers with the integration of a new cloud security service provided by its long term partner, Cisco System Inc. which incorporates Cisco's Advanced Malware Protection (AMP) cloud-based solution into FirstWave's Telstra cloud security gateway infrastructure which is already generating revenue. This relationship further diversifies the Company's revenue base.

Financial and Corporate
In May, FirstWave raised a total of $8.0 million (before expenses) through the issue of 40 million new shares at an issue price of $0.20 per share in conjunction with the Company's listing on the ASX. The completion of the capital raising marked a major milestone for FirstWave, providing the funding required to continue the development and rollout of its next generation cloud security services in Australia, and in the future, international markets which we are closely assessing.

A Strong and Favourable Outlook
The Company has established a solid growth platform for 2017 and beyond. The first licensing of FirstWave's CCSG to Telstra occurred in FY2016, and this was a major milestone and revenue driver for the Company. This has further validated FirstWave's technology and is a key catalyst for the strong 2017 outlook.

FirstWave is well placed to substantially grow revenue in FY2017 and scale up its operations. In Australia, growth will be driven from new contracts across all product categories with the key focus on the progressive conversion of the opportunity pipeline into new revenue generating contracts which is already occurring.

We are continuing negotiations with international telcos which are progressing well, and we have a number of near-term opportunities to launch our product suite in international markets. This too represents a major growth platform for FirstWave from FY2017 onwards.

The Company continues to work proactively with our partners – Palo Alto, Cisco and IBM – to enhance our Software as a Service (SaaS) cloud security offering. Ensuring we have a market-leading platform underpins future revenue growth.

Demand for the NGFW product is exceptionally strong and FirstWave expects tender numbers to keep growing as Telstra more actively promotes the NGFW offering to its enterprise and government customers. The significant rapid growth in the NGFW tendering pipeline, and the new recurring revenue generating contracts, reflect the very strong demand for FirstWave's cloud security services.

I would also like to advise all shareholders that the Company's Corporate Governance Statement is available on the Company's website at http://www.firstwave.com.au/investors/corporate-governance/

Finally, I would like to join our Chairman in welcoming our new shareholders as well as thanking our long term shareholders for their continued support during the period prior to the Company's ASX listing. FirstWave is in excellent shape and poised for a very bright future.

Yours faithfully,

S.J. O'Brien

Steve O'Brien
Managing Director

3. Directors' Report & Remuneration 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' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2016.

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:

Alexander Kelton - Chairman	Appointed on 8 March 2016
Steven O'Brien	Appointed on 8 March 2016
David Garnier	Appointed on 8 March 2016
Edward Keating	Appointed on 8 March 2016
Scott Lidgett	Appointed on 8 March 2016
Paul MacRae	Appointed on 8 March 2016
David Nolan	Resigned on 5 May 2016
Richard Willson	Resigned on 5 May 2016
Andrew Phillips	Resigned on 15 April 2016
Carl Dorsch	Resigned on 3 December 2015

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 $4,654,811 (30 June 2015: profit of $43,235).

Acquisition of First Wave Technology Pty Ltd

On 5 May 2016, Crestal Petroleum Limited ('Crestal') (now known as FirstWave Cloud Technology Limited) acquired 100% of the share capital of First Wave Technology Pty Ltd ('FirstWave'). The acquisition resulted in FirstWave's original shareholders holding a majority share in Crestal. The acquisition has been accounted for as a share-based payment and the principles of reverse acquisition applied. The current year results represents the consolidated entity comprising FirstWave for the entire year and Crestal from 5 May 2016 to 30 June 2016. The comparative period results reflect FirstWave results only.

Financial review

Profit or loss performance

The consolidated entity's revenue for the year ended 30 June 2016 was $6,401,718, representing growth of 37% over the previous year (30 June 2015: $4,660,828), with a corresponding growth in gross profit of 44%. This was mainly driven by growth in the cloud based infrastructure services industry. Telstra, being the largest telecommunication services provider in Australia, and also a key provider of public and private cloud services, is the consolidated entity's largest trading partner. Growth in revenue reflects higher demand for the consolidated entity's ESP© ('Enterprise Specific Protection') solutions, and the roll out of the Cloud Gateway Protection Advanced ('CGPA') which increases the number of available services on the platform.

The consolidated entity has reported a loss for the year of $4,654,811 after tax. The main contributors to this result were the recognition of non-cash share-based payment expenses of $1,499,135 as a result of the acquisition accounting and the listing costs of $1,433,363 (aggregating a total cost of listing of $2,932,498). The consolidated entity has also invested a significant amount of resources in the expectation of future growth, hiring key senior management and operational personnel with the overall head count increasing from 22 to 41 during the year.

Statement of financial position

Net assets reflect those of the consolidated entity and include cash proceeds from the equity raising that occurred contemporaneously with the reverse acquisition. With minimal debt, and given that a large part of the consolidated entity's asset base is cash of $5,772,415 and intangible assets predominantly capitalised development costs of $2,040,628 that embody the consolidated entity's intellectual property, the consolidated entity is well placed to embark upon its growth plans and to fund research and development activity to further build its intellectual property and stay ahead of competition. Furthermore, trade receivables of $1,545,268 outstanding at 30 June 2016 have been mostly realised subsequent to the year end.

Significant changes in the state of affairs
On 5 May 2016, the company acquired First Wave Technology Pty Ltd. Refer to 'Review of operations' for further information on the acquisition.

On 5 May 2016, the company successfully completed a capital raising of $8,000,000 by issuing 40,000,000 ordinary shares.

On 6 May 2016, the company also changed its name from Crestal Petroleum Limited to FirstWave Cloud Technology Limited.

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 2016 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
Future growth is expected to be largely driven by the newly commercialised Next Generation Firewall ('NGFW') product offering.

Multiplier effect of new service offerings include:
- new services opening up new parts of the Cloud Security Services addressable market;
- new platform allows for rapid provisioning of current services and substantially reduces the time to introduce new accretive services; and
- replication of platforms and services in international markets.

A partnership with world leading firewall hardware provider Palo Alto Networks (announced to the market on 22 July 2016), enables the consolidated entity to integrate additional security functionality into Telstra's offering.

To diversify customer concentration risk, the consolidated entity is pursuing additional telco partnerships in new international markets.

The above strategies position the consolidated entity well to manage and diversify its business risks, whilst at the same time addressing the need to stay competitive, in niche markets. In line with its growth expectations, the consolidated entity has moved to a new office that can accommodate a head count of over 70, so that it is not constrained by office space, in meeting its delivery expectations.

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

Information on directors

Name:	Alexander Andrew (Drew) Kelton
Title:	*Non-Executive Chairman*
Qualifications:	Drew has a Bachelor of Science degree in Electrical and Electronic Engineering from the University of Western Scotland.
Experience and expertise:	Drew is a global business leader and professional board director with over 30 years' experience in the information technology ('IT') and telecommunications arena, including senior operational roles in the United Kingdom, Europe, India and Australasia, and most recently in the United States. In addition to executive leadership roles in global organisations, Drew has also been responsible for start-ups, merger and acquisition transactions and Initial Public Offering of one of the businesses.
Other current directorships:	Chairman of Mobile Embrace Ltd (ASX: MBE), Director of Megaport Limited (ASX: MP1) and Director of Enice Holding Company Limited (ASX: ENC).
Former directorships (last 3 years):	None
Special responsibilities:	Chairman of the Audit and Risk Committee
Interests in shares:	1,015,625
Interests in options:	4,200,000

Name:	Steven O'Brien
Title:	*Managing Director*
Experience and expertise:	Steven has over 20 years' experience working in international business including over 15 years working in the Asia Pacific region and has significant experience in senior sales and marketing roles. Steven has also held positions in consulting and as company director during his time working in the international technology sector.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	None
Interests in options:	4,800,000

Name:	David Garnier
Title:	*Non-Executive Director*
Qualifications:	David has Bachelor of Commerce from Canberra University and is a qualified CPA.
Experience and expertise:	David previously lived in Beijing, China and has more than 25 years of senior management experience in a number of sectors, including corporate advisory, IT & communications, digital media and transport. He has successfully launched and transacted funding requirements for IT & communications, digital media and transport companies in the Asia Pacific region. Additionally David has secured capital funding for expansion whilst previously serving in executive and non-executive roles with leading private and public companies in Asia Pacific. David is the founder and Chairman of New Wave Capital, a Hong Kong based Investment Bank and Corporate Advisory firm. He is a board member of a number of private companies.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit and Risk Committee
Interests in shares:	1,449,430
Interests in options:	1,200,000

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Information on directors

Name:	Edward Keating
Title:	*Non-Executive Director*
Experience and expertise:	Following a career in information technology (Systems Analyst/IT Management), Edward became involved with numerous business start-ups including: Logical Solutions; Software Strategies; Computer Faculties; ChannelWorx and FirstWave Technology. He has also had exposure to a variety of Cloud-based technologies, since first engaging with the industry in 2001.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit and Risk Committee
Interests in shares:	6,638,724
Interests in options:	1,200,000

Name:	Scott Lidgett
Title:	*Non-Executive Director*
Qualifications:	Scott holds formal qualifications in Engineering.
Experience and expertise:	Scott is 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 3 years):	None
Interests in shares:	19,654,847
Interests in options:	1,200,000

Name:	Paul MacRae
Title:	*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. 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 3 years):	None
Interests in shares:	1,634,888
Interests in options:	1,200,000

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

Company secretary

Justin Clyne was appointed as company secretary on 16 February 2016. He holds a Masters of Laws in International Law from the University of New South Wales and is a qualified Chartered Company Secretary. Justin was admitted as Solicitor of the Supreme Court of New South Wales and the High Court of Australia in 1996 before gaining admission as a Barrister in 1998. Since 2006, Justin has been a full time company secretary for a number of listed and unlisted companies. Justin has significant experience and knowledge of the Corporations Act, the ASX Listing Rules and general corporate regulatory requirements.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2016, and the number of meetings attended by each director were:

	Full Board		Audit and Risk Committee	
	Attended	**Held**	**Attended**	**Held**
Alexander Kelton - Chairman	2	2	1	1
Steven O'Brien*	2	2	1	1
David Garnier	2	2	-	1
Edward Keating	2	2	1	1
Scott Lidgett	2	2	-	-
Paul MacRae	2	2	-	-

Held: represents the number of meetings held during the time the director held office.

*Steven O'Brien attended the Audit and Risk Committee meeting as an observer.

The above table excludes meetings held by Crestal Petroleum Limited prior to group re-organisation.

Remuneration report (audited)

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

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

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

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

Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation; and
- transparency.

The Board is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Board has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design;
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracting and retaining high calibre executives.

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience;
- reflecting competitive reward for contribution to growth in shareholder wealth; and
- providing a clear structure for earning rewards.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors remuneration
Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Board. The Board may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was at the Extraordinary General Meeting held on 15 April 2016, where the shareholders approved a maximum annual aggregate remuneration of $400,000.

Executive remuneration
The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits;
- short-term performance incentives;
- share-based payments; and
- other remuneration such as superannuation and long service leave.

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

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

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

The short-term incentives ('STI') program is designed to align the targets of the business units with the targets of those executives responsible for meeting those targets. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI’s relate to qualitative and quantitative leadership performance and subject to Board discretion.

The long-term incentives ('LTI') include long service leave and share-based payments. Shares are awarded to executives with vesting period of one to four years. The Board reviewed the long-term equity-linked performance incentives specifically for executives during the year ended 30 June 2016.

Consolidated entity performance and link to remuneration
Remuneration was not linked directly to consolidated entity performance. Any bonuses and LTI granted are at the discretion of the Board. The share option plan is subject to participants meeting service condition at the vesting date. There were no performance conditions linked to the share option plan.

Use of remuneration consultants
During the financial year ended 30 June 2016, the consolidated entity did not engage any remuneration consultants.

Details of remuneration

Amounts of remuneration
The KMP of the consolidated entity consisted of the directors of FirstWave Cloud Technology Limited and the following persons:

- Simon Ryan - Chief Technology Officer
- Murray Scott - Chief Financial Officer

Prior to the acquisition on 5 May 2016, First Wave Technology Pty Ltd was not required to prepare a Remuneration report in accordance with the Corporations Act 2001. As such, Remuneration report information is presented only for 2016.

The 2016 table below represents KMP remuneration paid by the consolidated entity consisting of First Wave Technology Pty Ltd for the entire financial year and Crestal Petroleum Limited (now known as FirstWave Cloud Technology Limited) for the period from 5 May 2016 to 30 June 2016.

	Short-term benefit Share-based payments			Post-employment benefits		Long-term benefits	
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled options	Total
	$	$	$	$	$	$	$
Non-Executive Directors:							
Alexander Kelton*	120,000	-	-	-	-	23,202	143,202
David Garnier	23,348	-	-	-	-	15,954	39,302
Edward Keating	41,932	-	-	2,971	-	15,954	60,857
Scott Lidgett	35,674	-	-	-	-	15,954	51,628
Paul MacRae	23,250	-	-	-	-	15,954	39,204
Executive Directors:							
Steven O'Brien	270,000	60,000		1,609		28,467	360,076
Other Key Management Personnel:							
Simon Ryan	226,724	5,000	-	21,539	39,317	8,122	300,702
Murray Scott	236,000	30,000	-	-	-	-	266,000
TOTAL	**976,928**	**95,000**	**-**	**26,119**	**39,317**	**123,607**	**1,260,971**

*KMP of the consolidated entity from 8 March 2016. Remuneration includes consulting fees paid during the period 1 July 2015 to 8 March 2016.

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

Name	Fixed remuneration 2016	At risk-STI 2016	At risk - LTI 2016
Non-Executive Directors:			
Alexander Kelton	84%	-	16%
David Garnier	59%	-	41%
Edward Keating	74%	-	26%
Scott Lidgett	69%	-	31%
Paul MacRae	59%	-	41%
Executive Directors:			
Steven O'Brien	75%	17%	8%
Other KMP:			
Simon Ryan	95%	2%	3%
Murray Scott	89%	11%	-

Service agreements

The consolidated entity enters into employment agreements with each KMP. The agreements are continuous i.e. not of a fixed duration, and includes 4 weeks' notice period on the part of the employee and the consolidated entity.

The employment agreements contain substantially the same terms which include usual statutory entitlements, typical confidentiality and intellectual property provisions intended to protect the consolidated entity's intellectual property rights and other proprietary information and non-compete clauses.

Share-based compensation

Issue of shares

There were no shares issued to directors and other KMP as part of compensation during the year ended 30 June 2016.

Options

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

Grant date	Particulars*	Expiry date	Exercise price	Fair value per option at grant date
18/05/2016	Alexander Kelton: 500,000 options	11/05/2022	$0.25	$0.110
18/05/2016	Alexander Kelton: 500,000 options	11/05/2023	$0.25	$0.120
18/05/2016	Alexander Kelton: 2,000,000 options	11/05/2024	$0.25	$0.130
18/05/2016	Alexander Kelton: 200,000 options	11/05/2023	$0.35	$0.090
18/05/2016	Alexander Kelton: 200,000 options	11/05/2024	$0.35	$0.100
18/05/2016	Alexander Kelton: 800,000 options	11/05/2025	$0.35	$0.060
18/05/2016	David Garnier: 1,200,000 options	11/05/2022	$0.25	$0.110
18/05/2016	Edward Keating: 1,200,000 options	11/05/2022	$0.25	$0.110
18/05/2016	Scott Lidgett: 1,200,000 options	11/05/2022	$0.25	$0.110
18/05/2016	Paul MacRae: 1,200,000 options	11/05/2022	$0.25	$0.110
18/05/2016	Steven O'Brien: 960,000 options	11/05/2022	$0.25	$0.110
18/05/2016	Steven O'Brien: 960,000 options	11/05/2023	$0.25	$0.120
18/05/2016	Steven O'Brien: 1,440,000 options	11/05/2023	$0.35	$0.090
18/05/2016	Steven O'Brien: 1,440,000 options	11/05/2024	$0.45	$0.030
18/05/2016	Simon Ryan: 150,000 options	19/05/2020	$0.30	$0.090
18/05/2016	Simon Ryan: 150,000 options	19/05/2021	$0.30	$0.110
18/05/2016	Simon Ryan: 450,000 options	19/05/2021	$0.35	$0.110
18/05/2016	Simon Ryan: 750,000 options	19/05/2022	$0.40	$0.090

*The share option plan is subject to participants meeting service condition at the vesting date. There are no performance conditions.

Options granted carry no dividend or voting rights.

The number of options over ordinary shares granted to and vested by directors and other KMP as part of compensation during the year ended 30 June 2016 are set out below:

	Number of options granted during the year 2016	Number of options vested during the year 2016
Name		
Alexander Kelton	4,200,000	-
David Garnier	1,200,000	-
Edward Keating	1,200,000	-
Scott Lidgett	1,200,000	-
Paul MacRae	1,200,000	-
Steven O'Brien	4,800,000	-
Simon Ryan*	1,500,000	-

*Options exercised by Simon Ryan during the year ended 30 June 2016 were vested in previous years.

Additional disclosures relating to key management personnel

Shareholding

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

Ordinary shares	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Alexander Kelton	-	-	1,015,625	-	1,015,625
David Garnier*	1,335,544	-	113,886	-	1,449,430
Edward Keating*	6,228,275	-	410,449	-	6,638,724
Scott Lidgett*	14,893,907	-	4,760,940	-	19,654,847
Paul MacRae*	1,000,246	-	634,642	-	1,634,888
Simon Ryan	-	-	3,692,000	-	3,692,000
Murray Scott	1,153,745	-	-	-	1,153,745
TOTAL	**24,611,717**	**-**	**10,627,542**	**-**	**35,239,259**

*Balance at the start of the year represents shareholding in First Wave Technology Pty Ltd, adjusted for share-split. The shares were converted into issued capital of FirstWave Cloud Technology Limited as referred in note 23 of the financial statements.

Option holding

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

Options over ordinary shares	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Alexander Kelton		4,200,000			4,200,000
David Garnier		1,200,000			1,200,000
Edward Keating		1,200,000			1,200,000
Scott Lidgett		1,200,000			1,200,000
Paul MacRae		1,200,000			1,200,000
Steven O'Brien		4,800,000			4,800,000
Simon Ryan*	3,692,000	1,500,000	(3,692,000)		1,500,000
TOTAL	**3,692,000**	**15,300,000**	**(3,692,000)**		**15,300,000**

*Balance at the start of the year represents options in First Wave Technology Pty Ltd, adjusted for share-split.

This concludes the remuneration report, which has been audited.

Loans to directors and executives

During the year ended 30 June 2016, the consolidated entity provided an unsecured loan to Simon Ryan for $221,520. Interest is charged on outstanding balance at 7.5% per annum. During the year ended 30 June 2016, interest of $2,285 is receivable from Simon Ryan (2015: $Nil) in respect of this loan.

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	Exercise price	Number under option
18/05/2016	19/05/2020	$0.30	800,000
18/05/2016	19/05/2020	$0.35	270,000
18/05/2016	19/05/2021	$0.30	800,000
18/05/2016	19/05/2021	$0.35	2,400,000
18/05/2016	19/05/2022	$0.40	4,000,000
18/05/2016	11/05/2022	$0.25	6,260,000
18/05/2016	11/05/2023	$0.25	1,460,000
18/05/2016	11/05/2023	$0.35	1,640,000
18/05/2016	11/05/2024	$0.25	2,000,000
18/05/2016	11/05/2024	$0.35	200,000
18/05/2016	11/05/2025	$0.35	800,000
18/05/2016	11/05/2024	$0.45	1,440,000
TOTAL			**22,070,000**

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

The following ordinary shares of FirstWave Cloud Technology Limited were issued during the year ended 30 June 2016 and up to the date of this report on the exercise of options granted:

Date options granted	Exercise price	Number of shares issued
30/12/2013	$0.06	3,692,000
01/11/2011	$0.06	276,900
01/11/2011	$0.07	461,500
TOTAL		4,430,400

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 28 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 28 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.

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

Alexander Kelton Chairman	Steven O'Brien Managing Director

12 September 2016

4. Auditor's Independence Declaration

GrantThornton

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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 2016, 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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

C F Farley
Partner - Audit & Assurance

Sydney, 12 September 2016

5. Financial Statements

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 12 September 2016. The directors have the power to amend and reissue the financial statements.

Statement of profit or loss and other comprehensive income
For the year ended 30 June 2016

	Note	Consolidated 2016 $	Consolidated 2015 $
Revenue			
Sales revenue	4	6,401,718	4,660,828
Cost of sales		(1,702,334)	(1,400,634)
Gross profit		**4,699,384**	**3,260,194**
Other income	5	**232,949**	**445,376**
Expenses			
Sales and marketing		(2,152,390)	(578,468)
Engineering and development		(1,352,675)	(818,808)
General and administration		(3,545,275)	(2,022,358)
Listing expenses	6	(2,932,498)	-
Finance costs	6	(106,568)	(126,259)
Total expenses		**(10,089,406)**	**(3,545,893)**
Profit/(loss) before income tax benefit/(expense)		**(5,157,073)**	**159,677**
Income tax benefit/(expense)	7	**502,262**	**(116,442)**
Profit/(loss) after income tax benefit/(expense) for the year attributable to the owners of FirstWave Cloud Technology Limited		**(4,654,811)**	**43,235**
Other comprehensive income for the year, net of tax		**-**	**-**
Total comprehensive income for the year attributable to the owners of FirstWave Cloud Technology Limited		**(4,654,811)**	**43,235**
		Cents	**Cents**
Basic earnings per share	37	(3.81)	0.05
Diluted earnings per share	37	(3.81)	0.05

Refer to note 1 for explanation on comparatives.

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

Statement of financial position
As at 30 June 2016

	Note	Consolidated 2016 $	Consolidated 2015 $
Assets			
Current assets			
Cash and cash equivalents	8	5,772,415	389,255
Trade and other receivables	9	2,658,799	1,616,556
Income tax refund due		-	145,990
Share monies receivable		-	1,500,000
Other	10	760,024	486,368
Total current assets		**9,191,238**	**4,138,169**
Non-current assets			
Property, plant and equipment	11	709,997	119,086
Intangibles	12	2,088,012	1,807,152
Deferred tax	13	611,576	-
Prepayments		430,492	383,855
Total non-current assets		3,840,077	2,310,093
Total assets		**13,031,315**	**6,448,262**
Liabilities			
Current liabilities			
Trade and other payables	14	1,900,750	1,245,957
Borrowings	15	293,398	142,039
Employee benefits	16	370,577	278,093
Other	17	563,884	795,906
Total current liabilities		**3,128,609**	**2,461,995**
Non-current liabilities			
Borrowings	18	286,701	894,682
Deferred tax	19	-	27,676
Employee benefits	20	60,060	51,462
Provisions	21	152,649	-
Other	22	674,082	1,125,952
Total non-current liabilities		**1,173,492**	**2,099,772**
Total liabilities		**4,302,101**	**4,561,767**
Net assets		**8,729,214**	**1,886,495**
Equity			
Issued capital	23	15,773,846	4,436,261
Reserves	24	397,911	237,966
Retained earnings		(7,442,543)	(2,787,732)
Total equity		**8,729,214**	**1,886,495**

Refer to note 1 for explanation on comparatives.

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 2016

Consolidated	Issued capital $	Reserves $	Retained earnings $	Total equity $
Balance at 1 July 2014	3,071,261	237,966	(2,830,967)	478,260
Profit after income tax expense for the year	-	-	43,235	43,235
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	43,235	43,235
Transactions with owners in their capacity as owners:	1,365,000	-	-	1,365,000
Contributions of equity, net of transaction costs (note 23)				
Balance at 30 June 2015	4,436,261	237,966	(2,787,732)	1,886,495

Consolidated	Issued capital $	Reserves $	Retained earnings $	Total equity $
Balance at 1 July 2015	4,436,261	237,966	(2,787,732)	1,886,495
Loss after income tax benefit for the year	-	-	(4,654,811)	(4,654,811)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(4,654,811)	(4,654,811)
Transactions with owners in their capacity as owners:	-	-	9,838,450	9,838,450
Contributions of equity, net of transaction costs (note 23)				
Shares to affect the deemed acquisition of Crestal Petroleum Limited (note 23 and note 40)	1,499,135	-	-	1,499,135
Share-based payment expense	-	159,945	-	159,945
Balance at 30 June 2016	15,773,846	397,911	(7,442,543)	8,729,214

Refer to note 1 for explanation on comparatives.

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 2016

	Note	Consolidated 2016 $	Consolidated 2015 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		5,494,331	3,213,693
Payments to suppliers and employees (inclusive of GST)		(9,375,418)	(3,153,711)
Interest received		17,066	16,937
Other revenue		15,883	-
Interest and other finance costs paid		(126,481)	(127,159)
Income taxes refunded		209,000	209,490
Net cash (used in)/from operating activities	**35**	**(3,765,619)**	**159,250**
Cash flows from investing activities			
Payments for property, plant and equipment		(545,168)	(43,423)
Payments for intangibles		(866,897)	(530,136)
Payments for security deposits		(133,776)	-
Net of cash acquired on reverse acquisition	40	34,312	-
Net cash used in investing activities		**(1,511,529)**	**(573,559)**
Cash flows from financing activities			
Proceeds from issue of shares		11,048,804	-
Share issue transaction costs		(579,000)	-
Proceeds from borrowings		248,215	-
Repayment of borrowings		(57,711)	(205,252)
Net cash from/(used in) financing activities		**10,660,308**	**(205,252)**
Net increase/(decrease) in cash and cash equivalents		5,383,160	(619,561)
Cash and cash equivalents at the beginning of the financial year		389,255	1,008,816
Cash and cash equivalents at the end of the financial year	**8**	**5,772,415**	**389,255**

Refer to note 1 for explanation on comparatives.

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

Note 1. Significant accounting policies

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

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending 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.

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

Adoption of AASB 1 'First time adoption of Australian Accounting Standards'

First Wave Technology Pty Ltd historically prepared 'Special purpose financial statements' for the purposes of satisfying the directors reporting requirements under Corporations Act 2001. As a disclosing entity the consolidated entity is now required to prepare 'general purpose financial statements' compliant with International Financial Reporting Standards ('IFRS') for the first time. In accordance with AASB 1 'First time adoption of Australian Accounting Standards' the consolidated entity has adopted all relevant IFRS standards with effect from the beginning of the comparative period, 1 July 2014. The adoption of AASB 1 has not resulted in any changes in recognition or measurement of amounts in the financial statements.

Basis of preparation

On 5 May 2016, FirstWave Cloud Technology Limited (previously known as Crestal Petroleum Limited ('Crestal')) acquired First Wave Technology Pty Ltd ('the legal subsidiary' or 'FirstWave'). For accounting purposes, the acquisition has been accounted for as a share-based payment with the principles of reverse acquisition accounting applied. These financial statements represent a continuation of FirstWave since that entity is deemed the accounting acquirer pursuant to accounting standards, and therefore the comparative information represents that of FirstWave. The current period financial statements represent those of the consolidated entity comprising FirstWave for the entire year and the legal parent (Crestal) from 5 May 2016 to 30 June 2016. These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

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

Critical accounting estimates

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

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 33.

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 2016 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.

The acquisition of FirstWave by Crestal has been accounted as a share-based payment in accordance with AASB 2 'Share-based payments' and the consolidated financial statements represent a continuation of the financial statements of FirstWave. The comparative information is related to FirstWave operations and not that of Crestal. As a result, the comparatives will not compare to the consolidated financial results of Crestal Petroleum Limited published in prior financial reporting periods. Refer to 'Business Combinations' accounting policy for further explanation of the accounting for this transaction.

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

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Licensing and support revenue

Licensing and support income is recognised as soon as a contracted service is provisioned. Provisioning involves the setting up of a customer on the consolidated entity's platform, and the rendering of certain professional services to the customer to facilitate service delivery. As licensing is a subscription based model, license revenue is recognised over the term of the contract.

Professional services revenue

Fully managed services are recognised on a monthly basis as soon as a service is provisioned, in accordance with customer contracts. Bespoke 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 over a straight line basis.

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, associates or joint ventures, 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 provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Investments and other financial assets
Investments and 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. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

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.

Impairment of financial assets
The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

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	three years
Furniture and fittings	five years
Computer equipment	three to five years
Computer platform	two to three 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. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. 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 to seven 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 to seven 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.

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.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders' equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other 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 using the projected unit credit method. 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 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.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

Acquisition of First Wave Technology Pty Ltd During the financial year, First Wave Technology Pty Ltd’s original shareholders obtained a majority share interest in Crestal Petroleum Limited (now known as FirstWave Cloud Technology Limited) after the acquisition transaction. This transaction did not meet the definition of a business combination in AASB 3 ‘Business Combinations’. The transaction has instead been accounted for in the consolidated financial statements in accordance with AASB 2 ‘Share-based Payment’ and as a continuation of the financial statements of First Wave Technology Pty Ltd, together with a deemed issue of shares, equivalent to the shares held by the former shareholders of Crestal Petroleum Limited. The deemed issue of shares is, in effect, a share-based payment transaction where First Wave Technology Pty Ltd is deemed to have received the net assets of Crestal Petroleum Limited, together with the listing status of Crestal Petroleum Limited. The overall accounting effect is very similar to that of a reverse acquisition in accordance with AASB 3 with the following principles having been applied:

- fair value adjustments arising at acquisition were made to Crestal Petroleum Limited's assets and liabilities and not to those of First Wave Technology Pty Ltd;

- the cost of the acquisition, and amount recognised as issued capital to affect the transaction, is based on the notional amount of shares that First Wave Technology Pty Ltd would have needed to issue to acquire the same shareholding percentage in Crestal Petroleum Limited at the acquisition date;
- retained earnings and other equity balances in the consolidated financial statements at acquisition date are those of First Wave Technology Pty Ltd;
- a shared-based payment transaction arises whereby First Wave Technology Pty Ltd is deemed to have issued shares in exchange for the net assets of Crestal Petroleum Limited (together with its listing status). The listing status does not qualify for recognition as an intangible asset and has therefore been expensed in profit or loss as a share-based payment listing expense; The equity structure in the consolidated financial statements (the number of shares and dollar value) represents the continuation of First Wave Technology Pty Ltd, including the equity instruments issued to effect the acquisition;
- the results for the financial year ended 30 June 2016 comprise the consolidated results for the year of First Wave Technology Pty Ltd together with the results of Crestal Petroleum Limited from 5 May 2016 to 30 June 2016; and
- the comparative results represents the consolidated results of First Wave Technology Pty Ltd only.

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 2016. 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 9 Financial Instruments
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces 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 solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other

comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under 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. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 15 Revenue from Contracts with Customers
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be 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. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

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 as 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 consolidated entity will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the consolidated entity.

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 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.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Note 3. Operating segments

Identification of reportable operating segments
The consolidated entity operates in one segment being the development and sale of internet security software and located in Australia. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. The operating segment information is the same information as provided throughout the financial statements and are therefore not duplicated. The information reported to the CODM is on a monthly basis.

Major customers
During the year ended 30 June 2016 there was one external customer (2015: one customer) where revenue exceeded 10% of the consolidated revenue. Total revenue from the customer for the year ended 30 June 2016 amounted to $6,076,323 (2015: $4,266,662).

Note 4. Revenue

	Consolidated 2016 $	Consolidated 2015 $
Licensing and support revenue	4,652,183	3,445,553
Professional services revenue	1,749,535	1,215,275
Total revenue	**6,401,718**	**4,660,828**

Note 5. Other income

	Consolidated 2016 $	Consolidated 2015 $
Research and development grant income*	215,883	428,382
Interest income	17,066	16,994
Other income	**232,949**	**445,376**

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 2016 $	Consolidated 2015 $
Profit/(loss) before income tax includes the following specific expenses:		
Cost of sales		
Cost of licenses	1,702,334	1,400,634
Depreciation		
Leasehold improvements	7,828	336
Furniture and fittings	1,070	1,250
Computer equipment	77,425	31,268
Computer platform	7,479	2,766
Total depreciation	**93,802**	**35,620**
Amortisation		
Capitalised development costs	573,502	542,525
Patents	12,535	12,535
Total amortisation	**586,037**	**555,060**
Total depreciation and amortisation	**679,839**	**590,680**
Listing expenses include the following:		
Share-based payment listing expense (note 40)	1,582,198	-
Legal and professional expenses	1,350,300	-
Total listing expenses	**2,932,498**	**-**
Finance costs		
Interest and finance charges paid/payable	106,568	126,259
Net foreign exchange variance		
Net foreign exchange variance (included in cost of sales above)	(116,278)	33,600
Rental expense relating to operating lease		
Minimum lease payments	170,055	112,484
Employee benefit expenses		
Employee salaries and other benefits	5,094,541	1,842,574
Defined contribution superannuation expense	332,027	170,298
Share-based payments expenses	159,945	-
Total Employee benefit expenses	**5,586,513**	**2,012,872**

Note 7. Income tax (benefit)/expense

	Consolidated 2016 $	Consolidated 2015 $
Income tax (benefit)/expense		
Current tax	136,990	102,177
Deferred tax - origination and reversal of temporary differences	(639,252)	14,265
Aggregate income tax (benefit)/expense	**(502,262)**	**116,442**
Deferred tax included in income tax (benefit)/expense comprises:		
Increase in deferred tax assets (note 13)	(611,576)	-
Increase/(decrease) in deferred tax liabilities (note 19)	(27,676)	14,265
Deferred tax - origination and reversal of temporary differences	**(639,252)**	**14,265**
Numerical reconciliation of income tax (benefit)/expense and tax at the statutory rate		
Profit/(loss) before income tax benefit/(expense)	(5,157,073)	159,677
Tax at the statutory tax rate of 30%	(1,547,122)	47,903
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Amortisation of intangibles	171,888	-
Entertainment expenses	11,055	-
Listing expenses	424,822	-
Non-deductible research and development incentive expenditure	400,235	164,328
Deductible provisions	-	(23,715)
Development costs	(257,783)	-
Deferred income	(64,765)	-
Sundry items	27,055	(72,074)
	(834,615)	116,442
Current year temporary differences not recognised	332,353	-
Income tax (benefit)/expense	**(502,262)**	**116,442**

Note 8. Current assets - cash and cash equivalents

	Consolidated 2016 $	Consolidated 2015 $
Cash on hand	1,000	1,000
Cash at bank	5,771,415	388,255
Total cash and cash equivalents	**5,772,415**	**389,255**

Note 9. Current assets - trade and other receivables

	Consolidated 2016 $	Consolidated 2015 $
Trade receivables	1,545,268	1,226,232
Accrued revenue	855,881	338,685
Other receivables	36,130	51,639
Receivable from key management personnel	221,520	-
Total trade and other receivables	**2,658,799**	**1,616,556**

Past due but not impaired
Customers with balances past due but without provision for impairment of receivables amount to $22,699 as at 30 June 2016 ($14,670 as at 30 June 2015).

The consolidated entity did not consider a credit risk on the aggregate balances after reviewing the credit terms of customers based on recent collection practices.

The ageing of the past due but not impaired receivables are as follows:

	Consolidated 2016 $	Consolidated 2015 $
Zero to three months overdue	-	14,496
Three to six months overdue	-	174
Over six months overdue	22,699	-
Total	**22,699**	**14,670**

Note 10. Current assets - other

	Consolidated 2016 $	Consolidated 2015 $
Prepayments	579,488	439,608
Security deposits	180,086	46,310
Other deposits	450	450
Total	**760,024**	**486,368**

Note 11. Non-current assets - property, plant and equipment

	Consolidated 2016 $	Consolidated 2015 $
Leasehold improvements - at cost	491,839	13,445
Less: Accumulated depreciation	(7,828)	(341)
	484,011	13,104
Furniture and fittings - at cost	15,488	14,915
Less: Accumulated depreciation	(10,157)	(9,087)
	5,331	5,828
Computer equipment - at cost	755,988	570,892
Less: Accumulated depreciation	(550,710)	(473,285)
	205,278	97,607
Computer platform - at cost	234,930	214,621
Less: Accumulated depreciation	(219,553)	(212,074)
	15,377	2,547
Total	**709,997**	**119,086**

Reconciliations

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

Consolidated	Leasehold improvements $	Furniture and fittings $	Computer equipment $	Computer platform $	Total $
Balance at 1 July 2014	13,440	5,683	50,551	5,313	74,987
Additions	-	1,395	78,324	-	79,719
Depreciation expense	(336)	(1,250)	(31,268)	(2,766)	(35,620)
Balance at 30 June 2015	13,104	5,828	97,607	2,547	119,086
Additions	491,839	573	185,096	20,309	697,817
Write off of assets	(13,104)	-	-	-	(13,104)
Depreciation expense	(7,828)	(1,070)	(77,425)	(7,479)	(93,802)
Balance at 30 June 2016	484,011	5,331	205,278	15,377	709,997

Property, plant and equipment secured under finance leases

Refer to note 30 for further information on property, plant and equipment secured under finance leases.

Note 12. Non-current assets - intangibles

	Consolidated 2016 $	Consolidated 2015 $
Capitalised development costs - at cost	7,447,525	6,588,250
Less: Accumulated amortisation	(5,404,731)	(4,831,229)
	2,042,794	1,757,021
Patents - at cost	70,288	62,666
Less: Accumulated amortisation	(25,070)	(12,535)
	45,218	50,131
Total	**2,088,012**	**1,807,152**

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 costs	Patents	Total
Balance at 1 July 2014	1,769,410	52,901	1,822,311
Additions	530,136	9,765	539,901
Amortisation expense	(542,525)	(12,535)	(555,060)
Balance at 30 June 2015	1,757,021	50,131	1,807,152
Additions	859,275	7,622	866,897
Amortisation expense	(573,502)	(12,535)	(586,037)
Balance at 30 June 2016	2,042,794	45,218	2,088,012

Note 13. Non-current assets - deferred tax

	Consolidated 2016 $	Consolidated 2015 $
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Tax losses	-	834,995
Provisions	-	252,486
Deferred income	-	166,755
Property, plant and equipment	-	(16,256)
Development costs	-	(626,404)
Deferred tax asset	611,576	-
Movements:		
Credited to profit or loss (note 7)	611,576	-

Note 14. Current liabilities - trade and other payables

	Consolidated 2016 $	Consolidated 2015 $
Trade payables	593,984	353,811
Accrued expenses	1,306,766	723,733
Interest payable		19,913
Other payables		148,500
Total	**1,900,750**	**1,245,957**

Refer to note 26 for further information on financial instruments.

Note 15. Current liabilities - borrowings

	Consolidated 2016 $	Consolidated 2015 $
Insurance liability	98,710	22,813
Lease liability	194,688	119,226
Total	**293,398**	**142,039**

Refer to note 18 for further information on assets pledged as security and financing arrangements.

Refer to note 26 for further information on financial instruments.

Note 16. Current liabilities - employee benefits

	Consolidated 2016 $	Consolidated 2015 $
Annual leave	201,933	153,145
Long service leave	168,644	124,948
Total	**370,577**	**278,093**

Note 17. Current liabilities - other

	Consolidated 2016 $	Consolidated 2015 $
Deferred research and development income	183,214	215,883
Income received in advance	380,670	580,023
Total	**563,884**	**795,906**

Note 18. Non-current liabilities – borrowings

	Consolidated 2016 $	Consolidated 2015 $
Convertible notes payable	-	647,126
Lease liability	286,701	247,556
Total	**286,701**	**894,682**

Refer to note 26 for further information on financial instruments.

During the year, the consolidated entity settled all outstanding convertible notes by way of the issuance of 8,996,989 ordinary shares in the company.

Total secured liabilities
The total secured liabilities (current and non-current) are as follows:

	Consolidated 2016 $	Consolidated 2015 $
Lease liability	481,389	366,782

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

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

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

	Consolidated 2016 $	Consolidated 2015 $
Total facilities		
NAB lease facility	300,000	300,000
Other lease facility	205,525	119,226
Corporate credit card facility	30,000	30,000
Total	**535,525**	**449,226**
Used at the reporting date		
NAB lease facility	275,864	247,556
Other lease facility	205,525	119,226
Corporate credit card facility	13,211	11,590
Total	**494,600**	**378,372**
Unused at the reporting date		
NAB lease facility	24,136	52,444
Other lease facility	-	-
Corporate credit card facility	16,789	18,410
Total	**40,925**	**70,854**

Note 19. Non-current liabilities - deferred tax

	Consolidated 2016 $	Consolidated 2015 $
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Capitalised research and development	**-**	526,294
Employee benefits	-	(267,098)
Deferred income	-	(231,520)
Deferred tax liability	-	27,676
Movements:		
Opening balance	27,676	13,411
Charged/(credited) to profit or loss (note 7)	(27,676)	14,265
Closing balance	**-**	**27,676**

Note 20. Non-current liabilities - employee benefits

	Consolidated 2016 $	Consolidated 2015 $
Long service leave	60,060	51,462

Note 21. Non-current liabilities - provisions

	Consolidated 2016 $	Consolidated 2015 $
Lease make good	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.

Movements in provisions
Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

	Lease make good Consolidated 2016 $
Carrying amount at the start of the year	-
Additional provisions recognised	152,649
Carrying amount at the end of the year	152,649

Note 22. Non-current liabilities - other

	Consolidated 2016 $	Consolidated 2015 $
Deferred research and development income	372,636	555,850
Income received in advance	301,446	570,102
Total	**674,082**	**1,125,952**

Note 23. Equity - issued capital

The number of shares and dollar value represents the continuation of First Wave Technology Pty Ltd. Consequent to reverse acquisition, with effect from 5 May 2016, the shares were converted into issued capital of FirstWave Cloud Technology Limited.

	Consolidated			
	2016	**2015**	**2016**	**2015**
	Shares	**Shares**	**$**	**$**
Ordinary shares - fully paid	179,786,485	83,030,252	15,773,846	4,436,261

Movements in ordinary share capital

Details	**Date**	**Shares**	**$**
Balance	1 July 2014	7,979,984	3,071,261
Share split 9.23 shares issued for 1 share held	27 June 2015	65,675,268	-
Issue of shares	29 June 2015	9,375,000	1,500,000
Share issue transaction costs, net of tax		-	(135,000)
Balance	30 June 2015	83,030,252	4,436,261
Issue of shares	31 August 2015	3,125,000	500,000
Issue of shares	1 October 2015	1,243,750	199,000
Issue of shares	25 October 2015	2,565,625	410,500
Issue of shares	3 December 2015	1,725,000	276,000
Issue of shares	20 December 2015	715,625	114,500
Issue of shares on conversion of convertible notes	5 May 2016	8,996,989	647,126
Issue of shares on exercise of options	5 May 2016	3,692,000	221,520
Issue of shares on capital raising	5 May 2016	40,000,000	8,000,000
Issue of shares on exercise of options	5 May 2016	738,400	48,804
Share split 1.25 shares issued for 1 share held	5 May 2016	26,458,169	-
Share issue transaction costs, net of tax		-	(579,000)
Shares to affect the deemed acquisition of Crestal Petroleum Limited (note 40)	5 May 2016	7,495,675	1,499,135
Balance	30 June 2016	179,786,485	15,773,846

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 would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

Note 24. Equity - reserves

	Consolidated 2016 $	Consolidated 2015 $
Share-based payments reserve	397,911	237,966

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	Share-based payments $	Total $
Balance at 1 July 2014	237,966	237,966
Balance at 30 June 2015	237,966	237,966
Share-based payment expense	159,945	159,945
Balance at 30 June 2016	397,911	397,911

Note 25. Equity - dividends

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

Note 26. Financial instruments

Financial risk management objectives
The consolidated entity's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and ageing analysis for credit risk.

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

Market risk

Foreign currency risk
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 rise.

Interest rate risk
The consolidated entity's main interest rate risk arises from long-term borrowings. Borrowings obtained 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 and convertible notes with fixed interest rate. The consolidated entity's exposure to interest rate risk is not significant and limited to interest on cash at bank.

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 a credit risk exposure with one major customer, which as at 30 June 2016 owed the consolidated entity $1,498,515 (97% of trade receivables) (2015: $1,190,559 (97% of trade receivables)). This balance was within its terms of trade and no impairment was made as at 30 June 2016. 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.

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 2016 $	Consolidated 2015 $
NAB lease facility	24,136	52,444
Corporate credit card facility	16,789	18,410
Total	**40,925**	**70,854**

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 - 2016	**1 year or less Over 5 years**		**Between 1 and 2 years Remaining contractual maturities**		**Between 2 and 5 years**
	$	$	$	$	$
Non-derivatives					
Non-interest bearing					
Trade payables	593,984	-	-	-	593,984
Interest-bearing - fixed rate					
Lease liability	221,193	301,567	-	-	522,760
Insurance liability	98,710	-	-	-	98,710
Total non-derivatives	**913,887**	**301,567**			**1,215,454**

Consolidated - 2015	1 year or less Over 5 years		Between 1 and 2 years Remaining contractual maturities		Between 2 and 5 years
	$	$	$	$	$
Non-derivatives					
Non-interest bearing					
Trade payables	353,811	-	-	-	353,811
Other payables	148,500	-	-	-	148,500
Interest-bearing - fixed rate					
Convertible notes payable	647,126	-	-	-	647,126
Lease liability	144,073	251,901	17,371	-	413,345
Insurance liability	22,813	-	-	-	22,813
Total non-derivatives	**1,316,323**	**251,901**	**17,371**	**-**	**1,585,595**

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

Note 27. Fair value measurement

The carrying amounts of trade and other receivables and trade and other payable are assumed to 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 28. 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, and unrelated firms:

	Consolidated 2016 $	Consolidated 2015 $
Audit services - Grant Thornton		
Audit or review of the financial statements	102,000	-
Other services - Grant Thornton		
Due diligence and investigating accountants' report in relation to prospects*	129,500	-
Tax advice*	3,500	-
Financial modelling*	22,500	-
Total	155,500	-
Total – Grant Thornton	**257,500**	-
Audit services - unrelated firms**		
Audit or review of the financial statements	-	13,950

* These services were provided to First Wave Technology Pty Ltd.

**Unrelated firm refers to The Linkara Group Pty Ltd, who were the auditors of First Wave Technology Pty Ltd during 2015.

Note 29. Contingent liabilities

The consolidated entity has given bank guarantees as at 30 June 2016 of $180,086 (2015: $46,310) to various landlords.

Note 30. Commitments

	Consolidated 2016 $	Consolidated 2015 $
Capital commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment	304,500	-
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	244,798	127,199
One to five years	979,192	100,843
Total	1,223,990	228,042
Lease commitments - finance		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	221,193	144,073
One to five years	301,567	269,272
Total commitment	522,760	413,345
Less: Future finance charges	(41,371)	(46,563)
Net commitment recognised as liabilities	481,389	366,782
Representing:		
Lease liability - current (note 15)	194,688	119,226
Lease liability - non-current (note 18)	286,701	247,556
Total	481,389	366,782

Operating lease commitments relates to lease of office premises under non-cancellable operating leases expiring within one to five 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 $220,952 (30 June 2015: $61,573) 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 31. 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 2016 $	Consolidated 2015 $
Short-term employee benefits	1,071,928	204,150
Post-employment benefits	26,119	-
Long-term benefits	39,317	-
Share-based payments	123,607	-
Total	**1,260,971**	**204,150**

Note 32. Related party transactions

Parent entity
FirstWave Cloud Technology Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 34.

Key management personnel
Disclosures relating to key management personnel are set out in note 31 and the remuneration report included in the directors' report.

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated 2016 $	Consolidated 2015 $
Other income:		
Interest receivable from key management personnel	2,285	-

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 2016 $	Consolidated 2015 $
Current receivables:		
Loan to key management personnel*	221,520	-

*Unsecured loan provided to key management personnel. Interest is charged on outstanding balance at 7.5% per annum.

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

Note 33. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2016	2015
	$	$
Loss after income tax	(2,427,930)	(17,947,314)
Total comprehensive income	(2,427,930)	(17,947,314)

Statement of financial position

	Parent	
	2016	2015
	$	$
Total current assets	207,414	297,015
Total assets	6,640,009	297,015
Total current liabilities	-	4,576,839
Total liabilities	-	4,576,839
Equity		
Issued capital	9,067,939	21,862,140
Retained earnings	(2,427,930)	(26,141,964)
Total equity/(deficiency)	6,640,009	(4,279,824)

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 2016 and 30 June 2015.

Parent entity information Parent entity financial information relates to FirstWave Cloud Technology Limited (formerly Crestal Petroleum Limited). As detailed in note 1, FirstWave Cloud Technology Limited is 'the legal parent' of the consolidated entity with effect from 5 May 2016. The information for the periods represents the standalone financial information of the parent entity. The comparative financial information are not part of the consolidated entity's financial position or performance for the 30 June 2015.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2016 and 30 June 2015.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2016 and 30 June 2015.

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

Note 34. Interests in subsidiaries

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

Name	Principal place of business/ Country of incorporation	Ownership interest 2016 %	Ownership interest 2015 %
First Wave Technology Pty Ltd	Australia	100.00%	-

Note 35. Reconciliation of profit/(loss) after income tax to net cash (used in)/from operating activities

	Consolidated 2016 $	Consolidated 2015 $
Profit/(loss) after income tax benefit/(expense) for the year	(4,654,811)	43,235
Adjustments for:		
Depreciation and amortisation	679,839	578,328
Write off of property, plant and equipment	13,104	-
Provisions - non-cash	-	44,882
Share-based payments - employees	159,945	-
Share-based payments - non-cash listing expenses	1,499,135	-
Change in operating assets and liabilities:		
Increase in trade and other receivables	(779,433)	(946,400)
Decrease in income tax refund due	145,990	-
Increase in deferred tax assets	-	(17,779)
Increase in accrued revenue	(611,576)	(156,356)
Decrease/(increase) in prepayments	(186,517)	66,586
Increase in trade and other payables	579,191	159,913
Decrease in deferred tax liabilities	(27,676)	(3,514)
Increase/(decrease) in retirement benefit obligations	101,082	(39,206)
Increase/(decrease) in other operating liabilities	(683,892)	429,561
Net cash (used in)/from operating activities	(3,765,619)	159,250

Note 36. Non-cash investing and financing activities

	Consolidated 2016 $	Consolidated 2015 $
Leasehold improvements - lease make good	152,649	-
Shares issued on conversion of convertible notes	647,126	-
Shares issued on non-recourse loan to key management personnel	221,520	-
Shares issued to effect deemed acquisition of Crestal Petroleum Limited	1,499,135	-
Total	**2,520,430**	**-**

Note 37. Earnings per share

	Consolidated 2016 $	Consolidated 2015 $
Profit/(loss) after income tax attributable to the owners of FirstWave Cloud Technology Limited	(4,654,811)	43,235
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	122,125,559	92,133,286
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	-	2,942,063
Weighted average number of ordinary shares used in calculating diluted earnings per share	122,125,559	95,075,349
	Cents	**Cents**
Basic earnings per share	(3.81)	0.05
Diluted earnings per share	(3.81)	0.05

The weighted average number of ordinary shares for the comparative period has been adjusted to give effect to capital reorganisation which occurred during the financial year.

22,070,000 options have not been included in the 2016 weighted average number of shares as they were anti-dilutive (30 June 2015: 13,842,174 options and convertible notes)

Note 38. Share-based payments

The consolidated entity has a share option plan to incentivise certain employees and key management personnel. The share-based payment expense for the year was $159,945 (2015: $Nil). The share option plan is subject to participants meeting service condition at the vesting date. The options are issued for nil consideration and are granted in accordance with performance guidelines established by the Board of Directors.

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

2016

Grant date	Expiry date	Exercise price*	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
30/12/2013	29/06/2016	$0.06	3,692,000	-	(3,692,000)	-	-
01/11/2011	01/01/2015	$0.06	276,900	-	(276,900)	-	-
01/11/2011	01/01/2015	$0.07	461,500	-	(461,500)	-	-
18/05/2016	19/05/2020	$0.30	-	800,000	-	-	800,000
18/05/2016	19/05/2020	$0.35	-	270,000	-	-	270,000
18/05/2016	19/05/2021	$0.30	-	800,000	-	-	800,000
18/05/2016	19/05/2021	$0.35	-	2,400,000	-	-	2,400,000
18/05/2016	19/05/2022	$0.40	-	4,000,000	-	-	4,000,000
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	-	-	1,460,000
18/05/2016	11/05/2023	$0.35	-	1,640,000	-	-	1,640,000
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
Total			**4,430,400**	**22,070,000**	**(4,430,400)**	**-**	**22,070,000**
Weighted average exercise price			$0.06	$0.32	$0.06	$0.00	$0.32

*Exercise price and balance at the start of the year has been adjusted for share-split.

Outstanding options vested and exercisable as at 30 June 2016 Nil (2015: 4,430,400 options)

The weighted average share price during the financial year was $0.26.

The weighted average remaining contractual life of options outstanding at the end of the financial year was 6.29 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	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
18/05/2016	19/05/2020	$0.28	$0.30	43.90%	-	1.75%	$0.090
18/05/2016	19/05/2020	$0.28	$0.35	43.90%	-	1.75%	$0.080
18/05/2016	19/05/2021	$0.28	$0.30	43.90%	-	1.75%	$0.110
18/05/2016	19/05/2021	$0.28	$0.35	43.90%	-	1.75%	$0.090
18/05/2016	19/05/2022	$0.28	$0.40	43.90%	-	1.75%	$0.090
18/05/2016	11/05/2022	$0.28	$0.25	34.00%	-	1.75%	$0.110
18/05/2016	11/05/2023	$0.28	$0.25	34.00%	-	1.75%	$0.120
18/05/2016	11/05/2023	$0.28	$0.35	34.00%	-	1.75%	$0.090
18/05/2016	11/05/2024	$0.28	$0.25	34.00%	-	1.75%	$0.130
18/05/2016	11/05/2024	$0.28	$0.35	34.00%	-	1.75%	$0.100
18/05/2016	11/05/2025	$0.28	$0.35	34.00%	-	1.75%	$0.060
18/05/2016	11/05/2024	$0.28	$0.45	34.00%	-	1.75%	$0.030

Note 39. Events after the reporting period

No matter or circumstance has arisen since 30 June 2016 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.

Note 40. Share-based payment - reverse acquisition

As detailed in note 1, on 5 May 2016, FirstWave Cloud Technology Limited (previously known as Crestal Petroleum Limited ('Crestal')) acquired First Wave Technology Pty Ltd ('the legal subsidiary' or 'FirstWave'). For accounting purposes, the acquisition has been accounted for as a share-based payment with the principles of reverse acquisition accounting applied.

The purchase consideration was deemed to be calculated at 7,495,675 shares in FirstWave Cloud Technology Limited (legal parent) issued to the shareholders of Crestal and is valued at $1,499,135 determined based on the FirstWave Cloud Technology Limited capital raising issue price of $0.20 per share.

	Consolidated 2016 $
Assets and liabilities acquired:	
Cash and cash equivalents	34,312
Other receivables	41,290
Trade and other payables	(158,665)
Net liabilities acquired	(83,063)
Cash and cash equivalents acquired on reverse acquisition	$34,312

	Consolidated 2016 $
Deemed Crestal Petroleum Limited issued capital:	
Historical issued capital balance as at 30 June 2015	21,862,140
Shares issued during the period before acquisition	980,000
Less: Reduction of capital on acquisition	(22,842,140)
Shares issued to affect the deemed acquisition of Crestal	1,499,135
Total Crestal Petroleum Limited issued capital on completion of transaction	1,499,135

	Consolidated 2016 $
Deemed Crestal Petroleum Limited retained earnings:	
Historical retained earnings balance as at 30 June 2015	(26,141,964)
Losses incurred during the period before acquisition	(3,081,996)
Elimination of Crestal Petroleum Limited pre-acquisition retained earnings	29,223,960
Issue of shares to effect the reverse acquisition of Crestal Petroleum Limited	1,499,135
Add: Net liabilities acquired	83,063
Share-based payment listing expenses	1,582,198

6. 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 2016 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

Alexander Kelton Chairman	Steven O'Brien Managing Director

12 September 2016

Grant Thornton

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Independent Auditor's Report
To the Members of Firstwave Cloud Technology Limited

Report on the financial report

We have audited the accompanying financial report of Firstwave Cloud Technology Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2016, 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, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility 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. The Directors' responsibility also includes 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. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's opinion

In our opinion:

a the financial report of Firstwave Cloud Technology Limited is in accordance with the Corporations Act 2001, including:

- i giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
- ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report

We have audited the remuneration report included in pages 5 to 9 of the directors' report for the year ended 30 June 2016. 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.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Firstwave Cloud Technology Limited for the year ended 30 June 2016, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

C F Farley
Partner - Audit & Assurance

Sydney, 12 September 2016

8. Corporate Directory

Directors

Drew Kelton	Non-Executive Chairman
Steve O'Brien	Managing Director
David Garnier	Non-Executive Director
Edward (Ted) Keating	Non-Executive Director
Scott Lidgett	Non-Executive Director
Paul MacRae	Non-Executive Director

Company Secretary
Justin Clyne

Registered Office and Principal Place of Business
Level 10, 132 Arthur Street
NORTH SYDNEY NSW 2060
Telephone: +61 2 9409 7000
Email: investor@FirstWave.com.au

Website
www.firstwave.com.au

ASX Code
FCT

Auditors
Grant Thornton Australia
Level 17, 383 Kent Street
Sydney NSW 2000

Share Registry
Computershare Investor Services Pty Limited
Level 5, 115 Grenfell Street
Adelaide SA 5000

Postal address:	GPO Box 1903, Adelaide SA 5001
Telephone	(within Australia): 1300 556 161
	(Outside Australia): + 61 3 9415 4000
Website:	www.computershare.com

Principal Bankers
National Australia Bank

9. Shareholder Information

The following information is provided pursuant to Listing Rule 4.10 and is current as at as at 23 September 2016.

Distribution of Shareholders

Size of Holding	Total Holders	Total Shares	% of Ordinary Shares
1 – 1,000	1,825	98,107	0.05
1,001 – 5,000	162	429,887	0.24
5,001 – 10,000	100	831,127	0.46
10,001 – 100,000	323	14,490,309	8.06
100,001 – and over	218	163,937,055	91.18
Totals	**2,628**	**179,786,485**	**100.00**

Unmarketable Parcels

There are 1,810 shareholders with an unmarketable parcel of shares being a holding of less than 878 shares each for a combined total of 83,608 shares. This is based on a closing price of $0.57 per share as at 22 September 2016 and represents 0.046% of the shares on issue.

Substantial Shareholders

Name	No. of Ordinary Shares	% of Ordinary Shares
MR GREG MAREN + MRS GERALDINE MAREN <MAREN SUPER FUND A/C>	16,365,598	9.10
MR SCOTT LIDGETT + MRS KATHERINE LIDGETT <LIDGETT SUPER FUND A/C>	16,084,036	8.95

Top 20 Ordinary Shareholders

Name	No. of Ordinary Shares	% of Ordinary Shares
MR GREG MAREN + MRS GERALDINE MAREN <MAREN SUPER FUND A/C>	16,365,598	9.10
MR SCOTT LIDGETT + MRS KATHERINE LIDGETT <LIDGETT SUPER FUND A/C>	16,084,036	8.95
MR EDWARD KEATING + MRS LINDA KEATING	6,485,344	3.61
MR RICHARD BESWICK	5,761,382	3.20
UBS NOMINEES PTY LTD	4,718,082	2.62
MR SIMON RYAN	4,615,000	2.57
WILLOW WATTLE PTY LTD <BESWICK CLATWORTHY S/F A/C>	3,963,789	2.20
MR SCOTT LIDGETT	3,570,811	1.99
SCOTT MCNEILAGE PTY LIMITED <MCNEILAGE SUPER FUND A/C>	2,638,684	1.47
IIWITI PTY LIMITED	2,405,000	1.34
MR MICHAEL GORDON OXLEY + MRS KATE NORTON OXLEY <OXLEY SUPER FUND A/C>	2,078,535	1.16
MR GREG MAREN + MRS GERALDINE MAREN <MAREN FAMILY A/C>	2,036,034	1.13
MR MARTIN WILLIAM BARNES + MS ALEXIS ANN GEORGE	2,000,480	1.11
J P MORGAN NOMINEES AUSTRALIA LIMITED	2,000,036	1.11
QUINVILLE PTY LTD <THE SOMERSBY CAPITAL A/C>	1,999,998	1.11
WILLROTH PTY LTD <THE WILLROTH A/C>	1,900,000	1.06
QUOTIDIAN NO 2 PTY LTD	1,810,487	1.01
ROYSTON AND HARRISON PTY LTD <ROYSTON HARRISON S/F A/C>	1,648,213	0.92
BLUEY DESIGNS PTY LTD <BLUEY A/C>	1,640,197	0.91
MAZOONGOO PTY LTD <ATF MAZOONGOO SUPER FUND>	1,634,888	0.91
Total Held by Top 20 Ordinary Shareholders	**85,356,594**	**47.48**
Total Remaining Balance or Ordinary Shareholders	**94,429,891**	**52.52**
Total Shareholders Balance	**179,786,485**	**100.00**

There are no shares subject to voluntary escrow but 56,970,816 shares subject to ASX escrow for various periods as at 23 September 2016.

Unlisted Options

The Company has 52 option holders with a total of 22,080,621 options on issue (all unlisted).

Voting Rights

The voting rights attached to each class of equity security are as follows:

Voting Rights are contained within clause 12.11 of the Company's Constitution lodged with the ASX on 18 May 2016. Clause 12.11 provides:

a) each Shareholder entitled to vote may vote in person or by proxy, attorney or Representative;
b) on a show of hands, every person present who is a Shareholder, or a proxy, attorney or Representative of a Shareholder has one vote; and
c) on a poll, every person present who is a Shareholder or a proxy, attorney or Representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or Representative, have one vote for the Share, but in respect of partly paid Shares, shall have such number of votes being equivalent to the proportion which the amount paid (not credited) is of the total amounts paid and payable in respect of those Shares (excluding amounts credited).

Option holders have the right to attend a meeting and ask questions but do not have any voting rights until the options have vested and been converted into ordinary shares.

There is no current on market buy back.

In accordance with ASX Listing Rule 4.10.19, the Company has used its cash (and assets in a form readily convertible to cash) at the time of reinstatement to quotation (following re-compliance with Chapters 1 & 2 of the ASX Listing Rules) in a way that is consistent with its business objectives for the period from reinstatement to the date of this Annual Report.

FIRSTWAVE
Cloud Technology