



FIRSTWAVE
CLOUD SECURITY TECHNOLOGY

“

**In an increasingly
vulnerable digital world,
we develop technology
that enables everyone
to be cyber-secure.**

”

ANNUAL
REPORT

2018

FirstWave Cloud Technology Limited

ABN 35 144 733 595

“

All businesses should have access to enterprise-quality cybersecurity. ”

DAVID KIRTON
CEO, FirstWave

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This Annual Report is a summary of FirstWave Cloud Technology Limited's operations, activities and financial performance and position as at 30 June 2018. In this Annual Report, references to 'FirstWave', 'the company', 'we', 'us' and 'our' refer to FirstWave Cloud Technology Limited (ABN 35 144 733 595), unless otherwise stated. References in this Annual Report to a 'year' are to the financial year ended 30 June 2018, unless otherwise stated. All dollar figures are expressed in Australian dollars (AUD) unless otherwise stated.

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01

CHAIRMAN'S LETTER



Dear Shareholders

2018 has been an important year for FirstWave Cloud Technology as we reflect on the completion of the “Enable” phase of our three phase strategy “Enable”, “Expand” and “Scale”. This strategy has seen the launch of a global cybersecurity platform, establish a strategic presence across global markets and sign software distribution and reseller agreements with some of the most prominent companies in the industry.

Our purpose

With the explosion in popularity of cloud-based computing and Software as a Service (SAAS), the risk of malicious cybercrime has increased exponentially. Reports continuously confirm cybercrime is one of the primary threats to all businesses across the globe today. What is of significant concern is the rapid upswing of attacks directed at small to medium businesses (SMBs). These businesses lack preparation and the protection required against enterprise style attacks, with nearly 43% of malicious activity now directed towards SMBs.

FirstWave exists due to a shared belief that all companies should have access to enterprise-quality cybersecurity – regardless of the size of their operation.

All of this presents an addressable market opportunity for FirstWave of \$14 billion by 2021, which is aligned with the company's three year strategy and our aspirations to grow revenue to 1% of the global cloud cybersecurity market (~\$138 million), as recently re-affirmed by our Chief Executive Officer, David Kirton.

Achievements

We recently signed a software original equipment manufacturer development and license agreement with Cisco Systems, Inc. (Cisco) and optimised sales and logistics operations through agreements with Ingram Micro and Mind Flow Sdn Bhd in Asia. These significant accomplishments have enhanced our ability to offer scalable, rapid and affordable access to the most technologically advanced, comprehensive and adaptive cloud-based cybersecurity both domestically and internationally.

Continued investment in our orchestration platform means we now provide a multi-channel and multi-cloud approach to deliver cloud email, web and next generation firewall services globally. This enables service providers and partners to bundle an enterprise grade cybersecurity offering across multiple threat vectors to their end customers. It also means that enterprise grade email security is now available for all customers, big or small.

Outlook

In August 2018, we announced the appointment of David Kirton as Chief Executive Officer. Demonstrating his commitment to FirstWave, David had been fulfilling the role on an interim basis since 3 October 2017 and, after a rigorous selection process, the Board confirmed that David was the standout candidate to formally lead the company as CEO.

With direction provided by David, the progress of FirstWave's "Enable", "Expand" and "Scale" phased approach has yielded exciting results. The "Enable" phase has been successfully completed and the "Expand" phase is actively facilitating the international sales pipeline with initial orders already received.

With \$10.1 million of capital raised during the year to simultaneously expand the scope of global opportunities, support existing customers and build partnerships with existing Global Security Vendors, the international markets make for a promising prospect. Meanwhile, we anticipate that domestic agreements with local software distributors and cloud service providers will contribute to drive revenue growth domestically.

The Board has approved a three year business plan proposed by management that requires further investment over the next 24 months of \$15 million.

This investment will enable FirstWave to fully realise the market and economic potential that our expanded distribution capability provides. It is our intention to pursue investment from the combination of our existing shareholder base and new strategic investors.

“FirstWave has an addressable market opportunity of \$14 billion by 2021.”

During the year, long-term Board director, Edward Keating retired. On behalf of the Board, I thank Edward for his outstanding contribution and the role he has played with FirstWave moving from its inception, to becoming a publicly listed company and the evolution to the company it is today. We wish Edward well in retirement.

On behalf of the Board, I would like to thank all shareholders for their continued support as well as the members of the FirstWave team for their dedication and efforts in building a performance culture that is driving innovation and excellence.

Yours faithfully



ALEXANDER KELTON

Non-Executive Chairman

“

With security expertise in large organisations generally inadequate, and often non-existent in small to medium enterprise, the growth in cyber attacks has driven demand for enterprise-grade security.”

SIMON RYAN
CTO, FirstWave

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HIGHLIGHTS

FY 2018

HIGHLIGHTS

FirstWave is poised to drive international expansion with new and exciting relationships and the strongest sales pipeline ever.

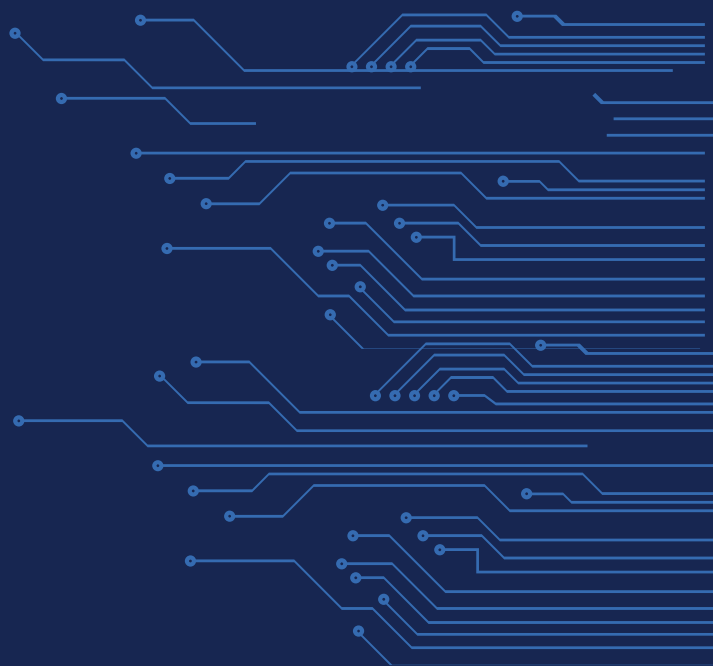
2 MILLION+
mailboxes filtered

21%
**REVENUE
GROWTH**

Licensing and support
revenue up by

33%

**2 NEW OPERATING
ENTITIES OPENED
IN SINGAPORE AND
NORTH AMERICA**



Distribution agreements with
domestic and international
service providers (Asia)



Signed software OEM
agreement with Cisco



Establishment of a global
24/7 delivery centre in India



The launch and first orders
on the global public cloud
email platform

03

FROM THE CEO'S DESK



Dear Shareholders

From my initial appointment as interim Chief Executive Officer of FirstWave in October 2017 through to my recent appointment as CEO in August 2018, I have witnessed firsthand the creation and implementation of the “Enable” phase of the company’s strategic plan.

Through the launch of the current “Expand” phase, we are poised to drive international expansion and have forged significant new relationships that will be pivotal in creating a strengthened sales pipeline, developing our brand and building solutions that create value for both our customers and shareholders.

In an increasingly vulnerable digital world, we have a clear vision to provide everyone with access to cloud-based security through the world’s most adaptive and comprehensive cloud cybersecurity platform. This vision permeates through every part of our business and is demonstrated by the investment of 10 years and more than \$10 million in research and development.

Highlights

In further pursuing our growth aspirations, domestic and international operations have been strengthened with the following key milestones:

- New public cloud security platform that became operational with first customer orders commencing during the last quarter of fiscal 2018.
- Software distribution agreement with Ingram Micro.
- New reseller agreements with leading information and communications technology/cybersecurity solution system integrators.

- A software original equipment manufacturer (OEM) development and license agreement with the world's leading IT technology company Cisco Systems, Inc. (Cisco) (signed in July 2018).

Operationally, we achieved the following milestones:

- Opened new operating entities in Singapore and North America.
- Received a first international customer order in Q4 FY2018.
- Established a global delivery centre in India designed to provide a 24/7 expansion capability to supply comprehensive support to customers as we expand into new geographical regions in different time zones.

All of this has enabled us to showcase our ability to offer easy, rapid and affordable access to the most technologically advanced, comprehensive and adaptive cloud-based cybersecurity solutions around the world.

“The global costs caused by the effects of cybercrime are expected to top \$8.3 trillion annually by 2021.”

Financial update

We delivered revenue for the year of \$7.8 million representing growth of 21% compared to last year.

Licensing and support revenue increased by 33% for the year and professional services revenue was \$0.3 million, representing a ratio of 4.3% to total revenue.

We completed capital placements of \$10.1 million with funds primarily used to support the “Enable” and “Expand” phases by driving international expansion and investing in key relationships with existing customers and strengthening partnerships with Global Security Vendors.

The earnings before interest, tax, depreciation and amortisation (EBITDA) loss was \$6.3 million while the segmental EBITDA loss underlying the Australian segment improved \$0.7 million. With the rapid growth and uptake of Software as a Service (SAAS) offerings, increase in EBITDA losses was driven by increased investment of \$3.2 million into FirstWave's international expansion.

The year ahead

With the successful launch of the public platform – and first orders received from our international division – we have never been in a better position to accelerate growth, entering the new financial year (FY19) with the strongest sales pipeline in the company's history.

As we execute the “Expand” phase of our strategy, we are well placed to leverage the enormous opportunities on offer in the global cybersecurity market. By supporting investment in international expansion, continuing to strengthen relationships with our Global Security Vendor partners and working closely with our new software distributors and resellers, we will begin to realise the promise shareholders have seen in our Australian developed cloud cybersecurity technology.

We are building good traction in global markets, due in large part to the achievements of our driven, innovative and passionate team – a team that provides us with a genuine source of competitive advantage.

Finally, in line with our long-term aspirations and commitment to our “Enable”, “Expand”, “Scale” phased strategy, we will endeavour to continue create value and identify opportunities that benefit our shareholders well into the future.

Yours faithfully



DAVID KIRTTON

Chief Executive Officer

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BOARD UPDATE TO SHAREHOLDERS

Introduction

FirstWave continued to establish itself as a leader in both the development and deployment of cybersecurity technology both in 2018 and into the future with its accessible, adaptive, affordable and easily implemented cloud-based security solutions.

Analysts suggest that this market is further poised to expand, with the global cost caused by the effects of cybercrime set to reach \$8.3 trillion annually by 2021. This delivers an addressable market opportunity for FirstWave of \$14 billion by 2021.

FirstWave remains uniquely positioned to leverage the opportunities presented by the growth of the cybersecurity market. Our capacity to provide advanced threat solutions, orchestrated and consumable in a multi-tenanted, multi-cloud Software as a Service (SAAS) offering that democratises and differentiates enterprise grade security products into previously untapped mid-market and small to medium business segments, has been recognised by two of the world's leading security vendors – Palo Alto Networks and Cisco Systems, Inc. (Cisco).

To enhance capability and market viability, FirstWave has developed and deployed machine learning and API technologies that automate, accelerate and optimise cloud-security delivery, threat detection and security management. Additionally, FirstWave's unique cloud platform orchestration is now available to service providers and enterprises of any scale in any location.

FY2018 highlights

Throughout FY2018, FirstWave bolstered and enhanced the domestic platform of operations, enabling positive progress on the international expansion strategy and, in doing so, achieved several milestones central to establishing a strong foothold in international markets outside of Australia.

Strategic business highlights

- Successfully completed the “Enable” phase of the strategic plan.
- Transitioned to the “Expand” phase to focus on expanding our domestic market share and entering selected international markets.
- Signed a software original equipment manufacturer development and license agreement (OEM) with Cisco and commenced pre-sales activity.
- Delivered cloud email security on public cloud infrastructure in conjunction with Amazon Web Services (AWS).
- Completed two capital placements, raising \$10.1 million and allocating 44.9 million new fully paid ordinary shares to new and existing institutional and sophisticated shareholders.

Operational highlights

- Effective scaling of technologies and operations within selected markets with a focus on delivering shareholder return on investment.
- Signing of agreement and receipt of initial orders from Mind Flow Sdn Bhd, a leading Malaysian-based reseller and our first international partner.

Revenue for the year was \$7.8 million representing growth of 21% over last year. Licensing and support revenue increased by 33% for the year. Professional Services revenue was \$0.3 million, representing a ratio of 4.3% to total revenue.

In FY2019, FirstWave will continue its focus on growth with a specific attention on international markets. This will be supported by increased cash outflow of approximately \$5.9 million to support investment, leveraging relationships with Global Security Vendor partners to open broader market opportunities and engaging new software distributors and resellers.

Product development and associated service offerings

FY2018 saw significant progress in the application of FirstWave's triple-phase “Enable”, “Expand” and “Scale” approach. The success of the “Enable” phase is perhaps best showcased by the launch of FirstWave's public global cloud cybersecurity platform and the subsequent securing of an OEM agreement with Cisco.

This agreement not only strengthens the existing pipeline to business and government organisations but reinforces and expands it by enhancing the reach of FirstWave's proprietary technology into new markets.

The milestones achieved through FirstWave's cloud email and next generation firewall services in conjunction with AWS have been outstanding and have laid the foundation for further development of both the relationship and inherent opportunities moving forward into FY2019.

Domestic market developments

Despite slower than expected growth in the previous financial year, operating revenue was consistently higher quarter-on-quarter in FY2018 compared to FY2017.

Recent relationship developments with local software distributors and cloud service providers are expected to yield improving results within the domestic market this year as well as emergence of the international distribution network as a revenue generating unit.

Vendor and partner relationships and opportunities

In strengthening and deepening collaboration with leading Global Security Vendors, interest from potential local and international customers has increased significantly.

This is primarily due to the commencement of agreements with:

- Cisco: Leading Global Security Vendor.
- Ingram Micro: World's largest wholesale technology distributor and global leader in IT supply chain and mobile device lifecycle service.
- Interactive Australia: Australia's largest multi-vendor service provider.
- Mind Flow Sdn Bhd: A recognised Malaysia Status Company (MSC) and a leading Malaysian-based reseller.
- Soflogic: A privately held Singapore-managed service provider.
- Kronicles: Singapore's leading service provider.

These relationships form a strong foundation for continued sales growth and brand evolution in established markets and sectors with considerable opportunities.

“FirstWave’s unique cloud platform orchestration is available to service providers and enterprises of any scale in any location.”

ROGER CARVOSSO

Product and Innovation Director, FirstWave

Global expansion

FY2019 is heralding the “Expand” phase of the corporate strategy and between strategy and maximising existing relationships, while fostering new partnerships, will create an opportunity for FirstWave to firmly establish itself as a clear thought-leader and expert solutions provider in the global cloud-based services community.

International market opportunities

It is forecast that FirstWave’s addressable market opportunity will grow to \$14 billion by 2021. This aligns well with FY2022 aspirations spearheaded by FirstWave’s Chief Executive Officer, David Kirton, to grow revenue share to around 1% of the global cloud cybersecurity market. We will achieve this with a successfully executed strategy targeting three-year revenue of \$50 million – 60% of which is expected to be derived outside of the Australian market through international business. The Board anticipates that an investment of approximately \$15 million will be required to achieve the three-year revenue target.

Given that security expertise in large organisations is generally inadequate and often non-existent in small to medium enterprise, the growth in cyber attacks has driven demand for enterprise-grade security. This provides FirstWave with the potential to address 75% of the US market – representing approximately \$14 billion.

The markets representing the greatest share, in turn presenting prime opportunities for additional expansion, include North America (40%), Asia Pacific (31%) and Europe, the Middle East and Africa (20%).

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**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 2018.

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 - Non-Executive Chairman

Scott Lidgett

Paul MacRae

Simon Moore

Sam Saba (appointed on 16 October 2017)

Richard Beswick (alternate to Scott Lidgett, resigned on 23 August 2017)

Steven O'Brien (resigned on 3 October 2017)

David Garnier (resigned on 30 November 2017)

Edward Keating (resigned on 13 July 2018)

Principal activities

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

Dividends

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

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$8,717,386 (30 June 2017: \$5,066,543).

Financial review

Profit or loss performance

The consolidated entity's revenue for the year was \$7,817,128, which represents growth of 21% over the prior comparative period ('PCP'). Licensing and support revenue increased by 33% for the year. Professional Services revenue was \$333,071, representing 4.3% of total revenue.

Earnings before interest, tax depreciation and amortisation ('EBITDA') was a loss of \$6,303,341. The segmental EBITDA loss underlying the Australia segment improved to \$330,424 compared with a loss of \$1,031,933 against PCP. Strategic expenditure on the international expansion increased to \$2,255,349 from \$197,247 in prior year. Corporate Services expenditure increased to \$3,717,568 from \$2,224,302 in prior year.

The consolidated entity's loss after income tax amounted to \$8,717,386 (FY2017 loss of \$5,066,543), this includes the impact of derecognition of deferred tax assets following a review of recoverability of these assets. The consolidated entity expects to incur strategic expenditure that will manifest in after-tax losses for the next 12 months. Therefore, it was considered prudent, and in accordance with accounting standards requirements to derecognise these assets and consider recognising them in later years when the certainty of realising taxable profits increases. The net effects of these are reported under income tax benefit / (expense) in the statement of profit or loss and other comprehensive income.

Statement of financial position

Cash and cash equivalents increased by \$4,020,984 to \$5,782,873 at 30 June 2018. This is underpinned by two rounds of capital raising totalling \$9,457,823 net of expenses. Of this increase of cash and cash equivalents, \$3,531,173 represented cash outflows from operating activities. Cash used in operating activities increased by \$1,221,991 (53%) from FY2017, driven by the consolidated entity's focus on international expansion. Trade receivables of \$1,706,880 at 30 June 2018 have been substantially realised after the year end.

Investment into innovation has driven the \$1,533,639 investment in research and development that has been capitalised as an intangible asset in the consolidated entity's balance sheet.

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

The directors determined that the use of the going concern basis of accounting is appropriate in preparing the financial report. The assessment of going concern is based on cash flow projections. The preparation of these projections incorporates several assumptions and judgements, and the directors have concluded that the range of possible outcomes considered in arriving at this judgement does not give rise to a material uncertainty casting a significant doubt on the consolidated entity's ability to continue as a going concern.

Significant changes in the state of affairs

On 20 October 2017, the company completed a capital raise of \$4,350,001 (before costs) by issuing 19,772,732 ordinary shares.

On 25 May 2018, the company completed a capital raise of \$5,789,994 (before costs) by issuing 25,173,885 ordinary shares.

FY2018 has seen many firsts for the consolidated entity; launch of a new public cloud security platform that became operational with first customer orders commencing in the fourth quarter of FY2018, opening of new operating entities in Singapore and North America, received a first international customer order in the fourth quarter of FY2018, addition of new software distribution and reseller agreements both domestically and internationally, significantly broadening market reach. The consolidated entity has set up a global delivery centre in India designed to provide 24/7 comprehensive support to customers, as the consolidated entity expands into new geographical regions in different time zones, necessitating the capability to provide comprehensive support to customers.

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

On 19 July 2018, the consolidated entity announced the signing of a software original equipment manufacturer (OEM) development and licensing agreement with Cisco Systems, Inc. This is a significant first step that is expected to drive global growth, accelerating the 'Expand' phase of the consolidated entity's five-year strategic plan.

The consolidated entity has now confirmed the key appointment of Mr David Kirton as Chief Executive Officer at a meeting of the Board of directors held on 27 August 2018.

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

The consolidated entity's priorities for FY2019 are to support globalisation and strategically invest into business and product development. Strong foundations have been laid in FY2018, the consolidated entity will look to build on those efforts and realise its goals.

The long-term goal of the consolidated entity is focused on delivery of the 5-year plan to penetrate 1% of a \$13.8 billion global cloud cyber-security market - circa \$138 million. The plan now also includes a three-year target revenue of \$50 million by FY2021, of which 60% of revenue to be derived outside of Australia.

Environmental regulation

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

Information on directors

Information on the directors of the company as at 30 June 2018 is set out below:



ALEXANDER KELTON
 Non-Executive Chairman

Qualifications: Alexander has a Bachelor of Science degree in Electrical and Electronic Engineering from The University of Western Scotland.

Experience and expertise: Alexander 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, Alexander has also been responsible for start-ups, merger and acquisition transactions and Initial Public Offering of one of the businesses. Alexander was appointed the Chief Executive Officer of Superloop Limited (ASX:SLC) with effect from 1 July 2018.

Other current directorships: Megaport Limited (ASX: MB1)

Former directorships (last three years): Chairman of Mobile Embrace Ltd (ASX: MBE) (resigned on 30 June 2018)

Special responsibilities: Member of the Audit and Risk Committee and Member of Remuneration and Nomination Committee

Interests in shares: 1,115,625 | **Interests in options:** 4,200,000



SCOTT LIDGETT
 Non-Executive Director

Qualifications: Scott holds formal qualifications in Engineering.

Experience and expertise: Scott was a co-founder of FirstWave Cloud Technology Limited. He is also a co-founder of Lidcam Technology Pty Ltd and Channelworx Pty Ltd. Scott has been in the IT industry since the mid-1980s. Prior to Lidcam and Channelworx, Scott worked in corporate sales at Logical Solutions Pty Ltd, the leading reseller of Apple Computer products at the time. Channelworx, a leading IT distribution business, was acquired by US listed IT giant, Avnet Inc. in November 2007. In November 2009, Scott, was involved in the formation of a new IT security business IPsec Pty Ltd, where he also serves as Chairman.

Other current directorships: None

Former directorships (last three years): None

Special responsibilities: Member of Remuneration and Nomination Committee

Interests in shares: 19,654,847 | **Interests in options:** 1,200,000



PAUL MACRAE
Non-Executive Director

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

Experience and expertise: Paul has a successful history of setting up new businesses in the IT industry in Australia and overseas. Since moving to Australia in 1989 he has been involved with the IT industry at a senior level. Paul also runs part of the largest listed Australian Enterprise Software company TechnologyOne. Paul has a strong background in IT security, application software, software development, outsourcing, cloud computing and transactional systems. His roles have included establishing MessageLabs in Australia, Galileo in New Zealand, setting up and selling a successful SAP Consultancy and growing business at a leading HRMS software company.

Other current directorships: None

Former directorships (last three years): None

Special responsibilities: Chairman of the Remuneration and Nomination Committee

Interests in shares: 1,634,888 | **Interests in options:** 1,200,000



SIMON MOORE
Non-Executive Director

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

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

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

Former directorships (last three years): Healthscope Limited (ASX:HSO) (resigned on 31 December 2015); Qube Holdings Limited (ASX: QUB) (resigned on 1 September 2016).

Special responsibilities: Chairman of the Audit and Risk Committee

Interests in shares: 2,100,000 | **Interests in options:** 1,000,000



SAM SABA

Non-Executive Director

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

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

Other current directorships: None

Former directorships (last three years): None

Special responsibilities: None

Interests in shares: 340,909 | **Interests in options:** None



EDWARD KEATING

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 three years): None

Special responsibilities: Member of the Audit and Risk Committee

Interests in shares: 6,591,427 | **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 three years)' quoted above are directorships held in the last three years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary

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

The previous company secretary was Justin Clyne (appointed on 16 February 2016 and resigned on 30 November 2017).

Meetings of directors

The number of meetings of the company's Board of directors ('the Board') and of each Board committee held during the year ended 30 June 2018, and the number of meetings attended by each director were:

Name	Full Board		Remuneration and Nomination Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Alexander Kelton - Non-Executive Chairman	11	11	4	4	4	4
Scott Lidgett	10	10	4	4	-	-
Paul MacRae	11	11	4	4	-	-
Simon Moore	10	11	-	-	4	4
Sam Saba	8	9	-	-	-	-
Richard Beswick	1	1	-	-	-	-
Steven O'Brien	2	2	-	-	-	-
David Garnier	3	3	-	-	-	-
Edward Keating	10	11	-	-	4	4

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

Remuneration report (audited)

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

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

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

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

Principles used to determine the nature and amount of remuneration

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 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 Non-Executive Chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The Non-Executive 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 cash 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') programme 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 ('KPIs') being achieved. KPIs relate to qualitative and quantitative leadership performance and subject to Board discretion.

The Bonuses to KMP were approved by the remuneration committee on 31 July 2018. These payments were made for each of the awarded KMP achieving Board decided objectives and KPIs for FY2018.

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 2018.

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 2018, the consolidated entity did not engage any remuneration consultants.

Voting and comments made at the Company's 2017 Annual General Meeting ('AGM')

At the 2017 AGM, shareholders voted to approve the adoption of the remuneration report of the company for the year ended 30 June 2017. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration

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

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

- Simon Ryan - Chief Technology Officer
- David Kirton - Interim Chief Executive Officer and Chief Financial Officer
- Neil Pollock - Chief Operating Officer (KMP from 1 December 2017)

Changes since the end of the reporting period:

- Edward Keating resigned as director of the company on 13 July 2018.
- David Kirton was appointed as the Chief Executive Officer with effect from 22 August 2018.

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

* Represents remuneration from the date of appointment as KMP for Sam Saba on 16 October 2017 and Neil Pollock on 1 December 2017.

** Represents remuneration up to the date of resignation as KMP for David Garnier on 30 November 2017 and Steven O'Brien on 3 October 2017.

*** Includes \$30,000 Board approved consulting services on ordinary commercial terms.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2017	Cash salary and fees \$	Cash bonus \$	Non-monetary \$	Super-annuation \$	Long service leave \$	Equity-settled options \$	Total \$
Non-Executive Directors:							
Alexander Kelton***	153,750	-	-	-	-	189,370	343,120
Scott Lidgett	48,000	-	-	760	-	117,246	166,006
Paul MacRae	48,000	-	-	-	-	117,246	165,246
Simon Moore	19,333	-	-	1,837	-	-	21,170
David Garnier	48,000	-	-	760	-	117,246	166,006
Edward Keating	48,000	-	-	760	-	117,246	166,006
Executive Director:							
Steven O'Brien	270,000	-	-	30,847	-	227,096	527,943
Other KMP:							
Simon Ryan	221,724	-	-	21,064	4,145	67,369	314,302
David Kirton*	33,333	-	-	3,167	-	-	36,500
Murray Scott**	180,000	-	-	-	-	-	180,000
	1,070,140	-	-	59,195	4,145	952,819	2,086,299

* Represents remuneration from the date of appointment as KMP for David Kirton on 9 May 2017.

** Represents remuneration up to 8 May 2017 for Murray Scott.

*** Includes \$22,500 Board approved consulting services on ordinary commercial terms.

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

Grant date	Fixed remuneration		At risk - STI		At risk - LTI	
	2018	2017	2018	2017	2018	2017
Non-Executive Directors:						
Alexander Kelton	53%	45%	-	-	47%	55%
Scott Lidgett	100%	29%	-	-	-	71%
Paul MacRae	100%	29%	-	-	-	71%
Simon Moore	85%	100%	-	-	15%	-
Sam Saba	100%	-	-	-	-	-
David Garnier	100%	29%	-	-	-	71%
Edward Keating	100%	29%	-	-	-	71%
Executive Director:						
Steven O'Brien	100%	57%	-	-	-	43%
Other KMP:						
Simon Ryan	78%	79%	6%	-	16%	21%
David Kirton	88%	100%	8%	-	4%	-
Neil Pollock	90%	-	10%	-	-	-
Murray Scott	-	100%	-	-	-	-

Service agreements

The consolidated entity enters into employment agreements with each KMP. With the exception of the Chief Executive Officer's ("CEO") agreement, the employment agreement with the KMP are continuous i.e. not of a fixed duration, and includes a minimum four 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.

Details of the CEO's service agreement is provided below:

Name: David Kirton

Title: CEO

Agreement commenced: 22 August 2018

Term of agreement: Initial three year term with renewal by agreement between the parties

Details: Fixed remuneration of \$350,000 per annum plus statutory superannuation contribution. On target STI represents 30% of fixed remuneration. Above target performance is rewarded by an additional STI payment of up to 30% of the fixed remuneration. LTI of 5,000,000 options, which vest in three equal tranches over the next three years. The exercise price for each grant will be based upon the volume weighted average share price of the company's shares in the five days following the release of the full year results for 30 June 2018. The options are subject to the approval of shareholders at the next Annual General Meeting. The company may terminate the contract without cause on providing six months' written notice. David Kirton may terminate the contract by providing three months' written notice. The employment agreement contains standard terms and conditions relating to leave entitlements, confidential information and intellectual property. Restraint period of 12 months applies.

KMP have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares

There were no shares issued to directors and other KMP as part of compensation during the year ended 30 June 2018.

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	Expiry date	Issued to: (Number of options)*	Exercise price	Fair value per option at grant date
18/05/2016	11/05/2022	Alexander Kelton: (500,000)	\$0.25	\$0.110
18/05/2016	11/05/2023	Alexander Kelton: (500,000)	\$0.25	\$0.120
18/05/2016	11/05/2024	Alexander Kelton: (2,000,000)	\$0.25	\$0.130
18/05/2016	11/05/2023	Alexander Kelton: (200,000)	\$0.35	\$0.090
18/05/2016	11/05/2024	Alexander Kelton: (200,000)	\$0.35	\$0.100
18/05/2016	11/05/2025	Alexander Kelton: (800,000)	\$0.35	\$0.060
18/05/2016	11/05/2022	David Garnier: (1,200,000)	\$0.25	\$0.110
18/05/2016	11/05/2022	Edward Keating: (1,200,000)	\$0.25	\$0.110
18/05/2016	11/05/2022	Scott Lidgett: (1,200,000)	\$0.25	\$0.110
18/05/2016	11/05/2022	Paul MacRae: (1,200,000)	\$0.25	\$0.110
18/05/2016	11/05/2022	Steven O'Brien: (960,000)	\$0.25	\$0.110
18/05/2016	11/05/2023	Steven O'Brien: (960,000)	\$0.25	\$0.120
18/05/2016	11/05/2023	Steven O'Brien: (1,440,000)	\$0.35	\$0.090
18/05/2016	11/05/2024	Steven O'Brien: (1,440,000)	\$0.45	\$0.030
18/05/2016	19/05/2020	Simon Ryan: (150,000)	\$0.30	\$0.090
18/05/2016	19/05/2021	Simon Ryan: (150,000)	\$0.30	\$0.110
18/05/2016	19/05/2021	Simon Ryan: (450,000)	\$0.35	\$0.110
18/05/2016	19/05/2022	Simon Ryan: (750,000)	\$0.40	\$0.090
30/11/2017	28/02/2022	Simon Moore: (333,400)	\$0.75	\$0.010
30/11/2017	28/02/2023	Simon Moore: (333,300)	\$0.75	\$0.020
30/11/2017	28/02/2024	Simon Moore: (333,300)	\$0.75	\$0.020
30/11/2017	31/05/2023	David Kirton: (100,000)	\$0.65	\$0.020
30/11/2017	31/05/2024	David Kirton: (100,000)	\$0.65	\$0.030
30/11/2017	31/05/2024	David Kirton: (300,000)	\$0.76	\$0.020
30/11/2017	31/05/2025	David Kirton: (500,000)	\$0.87	\$0.020

* The share option plan is subject to participants meeting service condition (continuous employment with the consolidated entity) 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 in directors and other KMP as part of compensation are set out below:

	Number of options during the year 2018	Number of options granted during the year 2017	Number of options vested during the year 2018	Number of options vested during the year 2017
Alexander Kelton	-	-	500,000	500,000
David Garnier	-	-	-	1,200,000
Edward Keating	-	-	-	1,200,000
Scott Lidgett	-	-	-	1,200,000
Paul MacRae	-	-	-	1,200,000
Steven O'Brien	-	-	-	960,000
Simon Moore	1,000,000	-	333,400	-
Simon Ryan	-	-	600,000	150,000
David Kirton	1,000,000	-	100,000	-

Additional disclosures relating to key management personnel

Shareholding

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

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/other	Balance at the end of the year
Ordinary shares					
Alexander Kelton	1,115,625	-	-	-	1,115,625
Scott Lidgett	19,654,847	-	-	-	19,654,847
Paul MacRae	1,634,888	-	-	-	1,634,888
Simon Moore	2,100,000	-	-	-	2,100,000
Sam Saba	-	-	340,909	-	340,909
David Garnier*	1,449,430	-	-	(1,449,430)	-
Edward Keating	6,591,427	-	-	-	6,591,427
Simon Ryan	4,615,000	-	-	-	4,615,000
Richard Beswick (alternate to Scott Lidgett)*	9,725,171	-	-	-	9,725,171
	46,886,388	-	340,909	(1,449,430)	45,777,867

* Disposal/others represents shares held at resignation date.

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:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares					
Alexander Kelton	4,200,000	-	-	-	4,200,000
Scott Lidgett	1,200,000	-	-	-	1,200,000
Paul MacRae	1,200,000	-	-	-	1,200,000
Simon Moore***	-	1,000,000	-	-	1,000,000
David Garnier*	1,200,000	-	-	(1,200,000)	-
Edward Keating	1,200,000	-	-	-	1,200,000
Steven O'Brien**	4,800,000	-	-	(4,800,000)	-
Simon Ryan	1,500,000	-	-	-	1,500,000
David Kirton	-	1,000,000	-	-	1,000,000
	15,300,000	2,000,000	-	(6,000,000)	11,300,000

* Disposal/others represents options held at resignation date.

** Disposal/others represents 3,840,000 forfeited during the year and 960,000 options held at resignation date.

*** Excludes subscription agreement to acquire 1,086,957 ordinary shares \$0.23 per share to be issued subject to shareholder approval.

	Vested and exercisable	Vested and unexercisable	Balance at the end of the year
Options over ordinary shares			
Alexander Kelton	1,000,000	-	1,000,000
Scott Lidgett	1,200,000	-	1,200,000
Paul MacRae	1,200,000	-	1,200,000
Simon Moore	333,400	-	333,400
Edward Keating	1,200,000	-	1,200,000
Simon Ryan	750,000	-	750,000
David Kirton	100,000	-	100,000
	5,783,400	-	5,783,400

Loans to key management personnel and their related parties

Outstanding loan to Simon Ryan as at 30 June 2018 amounted to \$221,520 (2017: \$221,520). Interest is charged on the outstanding balance at 7.5% per annum. During the year ended 30 June 2018, interest of \$16,620 is receivable from Simon Ryan (2017: \$16,630) in respect of this loan.

This concludes the Remuneration Report, which has been audited.

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	750,000
18/05/2016	19/05/2020	\$0.35	230,000
18/05/2016	19/05/2021	\$0.30	500,000
18/05/2016	19/05/2021	\$0.35	1,500,000
18/05/2016	19/05/2022	\$0.40	2,500,000
18/05/2016	11/05/2022	\$0.25	6,260,000
18/05/2016	11/05/2023	\$0.25	500,000
18/05/2016	11/05/2023	\$0.35	200,000
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
30/11/2017	31/05/2023	\$0.65	100,000
30/11/2017	31/05/2024	\$0.65	100,000
30/11/2017	28/02/2022	\$0.75	333,400
30/11/2017	28/02/2023	\$0.75	333,300
30/11/2017	28/02/2024	\$0.75	333,300
30/11/2017	31/05/2024	\$0.76	300,000
30/11/2017	31/05/2025	\$0.87	500,000
13/04/2018	12/04/2021	\$0.40	1,416,667
13/04/2018	12/04/2021	\$0.50	316,667
13/04/2018	12/04/2021	\$0.60	316,666
			19,490,000

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

There were no ordinary shares of FirstWave Cloud Technology Limited issued on the exercise of options during the year ended 30 June 2018 and up to the date of this report.

Indemnity and insurance of officers

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

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

Indemnity and insurance of auditor

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

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

Proceedings on behalf of the company

There were no ordinary shares of FirstWave Cloud Technology Limited issued on the exercise of options during the year. 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

There were no non-audit services provided during the financial year by the auditor.

Officers of the company who are former partners of Grant Thornton

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

Auditor's independence declaration

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

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors.



ALEXANDER KELTON
Non-Executive Chairman

30 August 2018



SIMON MOORE
Director

06

FINANCIAL REPORT

AUDITOR'S INDEPENDENCE DECLARATION



Grant Thornton

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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 2018, I declare that, to the best of my knowledge and belief, there have been:

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

Grant Thornton Audit Pty Ltd
Chartered Accountants

C F Farley
Partner – Audit & Assurance

Sydney, 30 August 2018

Grant Thornton Audit Pty Ltd ACN 130 913 594
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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 30 August 2018. 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 2018

		Consolidated	
	Note	2018 \$	2017 \$
Revenue			
Sales revenue	4	7,817,128	6,435,660
Cost of sales		(3,486,040)	(2,422,997)
Gross profit		4,331,088	4,012,663
Other income	5	673,425	596,620
Expenses			
Sales and marketing		(3,816,082)	(2,115,760)
Engineering and development		(4,016,111)	(3,438,515)
General and administration		(4,746,533)	(4,601,532)
Finance costs	6	(19,043)	(32,573)
Total expenses		(12,597,769)	(10,188,380)
Loss before income tax benefit/(expense)		(7,593,256)	(5,579,097)
Income tax benefit/(expense)	7	(1,124,130)	512,554
Loss after income tax benefit/(expense) for the year attributable to the owners of FirstWave Cloud Technology Limited		(8,717,386)	(5,066,543)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of FirstWave Cloud Technology Limited		(8,717,386)	(5,066,543)
		Cents	Cents
Basic earnings per share	35	(4.45)	(2.82)
Diluted earnings per share	35	(4.45)	(2.82)

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 2018

		Consolidated	
	Note	2018 \$	2017 \$
Assets			
Current assets			
Cash and cash equivalents	8	5,782,873	1,761,889
Trade and other receivables	9	2,270,819	3,207,903
Other	10	1,285,574	1,254,979
Total current assets		9,339,266	6,224,771
Non-current assets			
Property, plant and equipment	11	599,761	713,891
Intangibles	12	3,121,073	2,523,321
Deferred tax	13	-	1,124,130
Prepayments		614,111	1,323,551
Total non-current assets		4,334,945	5,684,893
Total assets		13,674,211	11,909,664
Liabilities			
Current liabilities			
Trade and other payables	14	2,862,311	2,844,001
Employee benefits	15	661,550	530,578
Other	16	2,132,531	1,250,690
Borrowings	17	87,139	200,237
Total current liabilities		5,743,531	4,825,506
Non-current liabilities			
Borrowings	18	-	87,139
Employee benefits	19	71,866	49,399
Provisions	20	152,649	152,649
Other	21	1,969,912	1,908,398
Total non-current liabilities		2,194,427	2,197,585
Total liabilities		7,937,958	7,023,091
Net assets		5,736,253	4,886,573
Equity			
Issued capital	22	25,231,669	15,773,846
Reserves	23	1,731,056	1,621,813
Accumulated losses		(21,226,472)	(12,509,086)
Total equity		5,736,253	4,886,573

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 2018

Consolidated	Note	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2016		15,773,846	397,911	(7,442,543)	8,729,214
Loss after income tax benefit for the year		-	-	(5,066,543)	(5,066,543)
Other comprehensive income for the year, net of tax		-	-	-	-
Total comprehensive income for the year		-	-	(5,066,543)	(5,066,543)
Transactions with owners in their capacity as owners					
Share-based payments	36	-	1,223,902	-	1,223,902
Balance at 30 June 2017		15,773,846	1,621,813	(12,509,086)	4,886,573
Consolidated	Note	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2017		15,773,846	1,621,813	(12,509,086)	4,886,573
Loss after income tax expense for the year		-	-	(8,717,386)	(8,717,386)
Other comprehensive income for the year, net of tax		-	-	-	-
Total comprehensive income for the year		-	-	(8,717,386)	(8,717,386)
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs	22	9,457,823	-	-	9,457,823
Share-based payments	36	-	109,243	-	109,243
Balance at 30 June 2018		25,231,669	1,731,056	(21,226,472)	5,736,253

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 2018

		Consolidated	
	Note	2018 \$	2017 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		10,481,554	8,670,530
Payments to suppliers and employees (inclusive of GST)		(14,664,835)	(11,543,759)
Interest received		57,904	104,271
Other revenue		613,247	492,349
Interest and other finance costs paid		(19,043)	(32,573)
Net cash used in operating activities	34	(3,531,173)	(2,309,182)
Cash flows from investing activities			
Payments for property, plant and equipment		(149,060)	(240,858)
Payments for intangibles		(1,556,369)	(1,214,073)
Proceeds from release of security deposits		-	46,310
Net cash used in investing activities		(1,705,429)	(1,408,621)
Cash flows from financing activities			
Proceeds from issue of shares	22	10,139,995	-
Share issue transaction costs	22	(682,172)	-
Repayment of borrowings		(200,237)	(292,723)
Net cash from/(used in) financing activities		9,257,586	(292,723)
Net increase/(decrease) in cash and cash equivalents		4,020,984	(4,010,526)
Cash and cash equivalents at the beginning of the financial year		1,761,889	5,772,415
Cash and cash equivalents at the end of the financial year	8	5,782,873	1,761,889

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

Notes to the financial statements

30 June 2018

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

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

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. 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 or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Going concern

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

The directors determined that the use of the going concern basis of accounting is appropriate in preparing the financial report. The assessment of going concern is based on cash flow projections. The preparation of these projections incorporate a number of assumptions and judgements, and the directors have concluded that the range of possible outcomes considered in arriving at this judgement does not give rise to a material uncertainty casting significant doubt on the consolidated entity's ability to continue as a going concern.

Basis of preparation

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

Historical cost convention

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

Critical accounting estimates

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

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 32.

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 2018 and the results of all subsidiaries for the year then ended. FirstWave Cloud Technology Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

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

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

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

Operating segments

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

Foreign currency translation

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

Foreign currency transactions

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

Revenue recognition

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

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

Professional services revenue

Fully managed services are recognised on a monthly basis as soon as a service is provisioned, in accordance with customer contracts. Professional services are recognised on a milestone basis as per agreed terms and conditions in customer contracts and at least to the extent of recoverable costs incurred to date.

Interest

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

Government grants

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

Prepayments

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

Income tax

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

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 3 years
- Furniture and fittings 5 years
- Computer equipment 3-5 years
- Computer platform 2-3 years

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

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

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

Leases

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

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

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

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

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

Intangible assets

Intangible assets acquired are initially recognised at cost. 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.

Finance costs

Finance costs attributed 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 high-quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

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

Share-based payments

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

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

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment.

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

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

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

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

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

Fair value measurement

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

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

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

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

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

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

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

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2018. 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 and the adoption of this standard is not expected to have a material impact on 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, using the transitional modified retrospective method as detailed in paragraph C3(b) of the standard. The impact assessment of this standard is substantially complete and based on the work performed to the date of this report, no material impact is expected on the financial statements of the consolidated entity from the adopting this standard.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019. Information on the undiscounted amount of the consolidated entities' operating lease commitments under AASB 117, the current leasing standard, is disclosed in Note 29. The consolidated entity is considering the available options for transition. To date, work has focused on the identification of the provisions of the standard which will most impact the consolidated entity. In the next financial year, work on the detailed review of contracts and financial reporting impacts will commence.

IASB revised Conceptual Framework for Financial Reporting

The revised Conceptual Framework has been issued by the IASB and is applicable for annual reporting periods on or after 1 January 2020. The Australian equivalent is yet to be published. The application of the new definition and recognition criteria may result in future amendments to several accountings standards. Furthermore, entities who rely on the conceptual framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under Australian Accounting Standards may need to revisit such policies. The Group will apply the IASB revised conceptual framework from 1 July 2020 and is yet to assess its impact.

NOTE 2. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Share-based payment transactions

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

Capitalised development costs

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

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Impairment of non-financial assets

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

Income tax

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

NOTE 3. OPERATING SEGMENTS

Identification of reportable operating segments

The consolidated entity's operating segments are based on the internal reports that are reviewed and used by the Chief Executive Officer and the Board of directors (being the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. Prior period information has also been appropriately rearranged to reflect segmental performance to facilitate comparison.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements. The information reported to the CODM is on a monthly basis.

The CODM does not review segment assets and liabilities.

Types of products and services

The consolidated entity is organised into three operating segments as follows:

Australia	A geographical segment to identify development and sale of internet security software in the domestic market.
International	A geographical segment to identify development and sale of internet security software in the international market.
Corporate services	A functional segment that manages the provision of research & development, and administrative support provided to the consolidated entity.

Major customers

During the year ended 30 June 2018, there was one major external customer (2017: one customer) where revenue exceeded 10% of the consolidated revenue. Total revenue from the customer for the year ended 30 June 2018 amounted to \$7,598,771 (2017: \$6,134,627).

Operating segment information

Consolidated - 2018	Australia \$	International \$	Corporate Services \$	Total \$
Revenue				
Sales to external customers	7,817,128	-	-	7,817,128
Total revenue	7,817,128	-	-	7,817,128
EBITDA	(330,424)	(2,255,349)	(3,717,568)	(6,303,341)
Depreciation and amortisation				(1,221,807)
Interest revenue				60,178
Finance costs				(19,043)
Other non-cash expenses				(109,243)
Loss before income tax expense				(7,593,256)
Income tax expense				(1,124,130)
Loss after income tax expense				(8,717,386)
Consolidated - 2017	Australia \$	International \$	Corporate Services \$	Total \$
Revenue				
Sales to external customers	6,435,660	-	-	6,435,660
Total revenue	6,435,660	-	-	6,435,660
EBITDA	(1,031,933)	(197,247)	(2,224,302)	(3,453,482)
Depreciation and amortisation				(973,411)
Interest revenue				104,271
Finance costs				(32,573)
Other non-cash expenses				(1,223,902)
Loss before income tax benefit				(5,579,097)
Income tax benefit				512,554
Loss after income tax benefit				(5,066,543)

NOTE 4. REVENUE

	Consolidated	
	2018 \$	2017 \$
Licensing and support revenue	7,484,057	5,629,291
Professional services revenue	333,071	806,369
Total revenue	7,817,128	6,435,660

NOTE 5. OTHER INCOME

	Consolidated	
	2018 \$	2017 \$
Research and development grant income*	611,166	492,349
Interest income	60,178	104,271
Other income	2,081	-
Total other income	673,425	596,620

* 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	
	2018 \$	2017 \$
Loss before income tax includes the following specific expenses:		
Cost of sales		
Cost of licenses	3,486,040	2,422,997
Depreciation		
Leasehold improvements	170,418	108,423
Furniture and fittings	4,375	2,059
Computer equipment	80,447	76,644
Computer platform	7,950	7,521
Total depreciation	263,190	194,647
Amortisation		
Capitalised development costs	936,309	762,710
Patents	22,308	16,054
Total amortisation	958,617	778,764
Total depreciation and amortisation	1,221,807	973,411
Finance costs		
Interest and finance charges paid/payable	19,043	32,573
Net foreign exchange variance		
Net foreign exchange variance (included in cost of sales above)	(3,840)	(91,568)
Rental expense relating to operating leases		
Minimum lease payments	343,168	306,121
Employee benefit expenses		
Employee salaries and other benefits	8,182,737	7,970,052
Defined contribution superannuation expense	531,156	426,281
Share-based payments expenses	109,244	1,223,902
Total employee benefit expenses	8,823,137	9,620,235

NOTE 7. INCOME TAX (BENEFIT)/EXPENSE

		Consolidated	
	Note	2018 \$	2017 \$
Income tax (benefit)/expense			
Deferred tax - origination and reversal of temporary differences		1,124,130	(512,554)
Aggregate income tax (benefit)/expense			
		1,124,130	(512,554)
Deferred tax included in income tax (benefit)/expense comprises:			
Decrease/(increase) in deferred tax assets	13	1,124,130	(512,554)
Numerical reconciliation of income tax (benefit)/expense and tax at the statutory rate			
Loss before income tax benefit/(expense)		(7,593,256)	(5,579,097)
Tax at the statutory tax rate of 27.5%		(2,088,145)	(1,534,252)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:			
Amortisation of intangibles		257,485	209,626
Entertainment expenses		13,566	18,650
Non-deductible research and development incentive expenditure		587,497	498,063
Development costs		(421,751)	(299,457)
Deferred income		(167,394)	(131,067)
Sundry items		51,779	-
		(1,766,963)	(1,238,437)
Tax losses not recognised (including reversal of previously recognised tax losses)		2,861,051	369,353
Current year temporary differences not recognised		30,042	356,530
Income tax (benefit)/expense		1,124,130	(512,554)

		Consolidated	
		2018 \$	2017 \$
Tax losses not recognised			
Unused tax losses for which no deferred tax asset has been recognised		9,936,900	-
Potential tax benefit at statutory tax rates		2,732,648	-

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

NOTE 8. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	Consolidated	
	2018 \$	2017 \$
Cash at bank	5,282,873	761,889
Cash on deposit	500,000	1,000,000
	5,782,873	1,761,889

NOTE 9. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	Consolidated	
	2018 \$	2017 \$
Trade receivables	1,706,880	2,198,049
Less: Provision for impairment of receivables	(22,206)	(22,206)
	1,684,674	2,175,843
Accrued revenue	45,248	564,683
Other receivables	319,377	245,857
Receivable from key management personnel	221,520	221,520
	2,270,819	3,207,903

Impairment of receivables

The consolidated entity has recognised a loss of \$nil (2017: \$22,206) in profit or loss in respect of impairment of receivables for the year ended 30 June 2018.

The ageing of the impaired receivables provided for above are as follows:

	Consolidated	
	2018 \$	2017 \$
0 to 3 months overdue	-	5,082
3 to 6 months overdue	-	7,623
Over 6 months overdue	22,206	9,501
	22,206	22,206

Movements in the provision for impairment of receivables are as follows:

	Consolidated	
	2018 \$	2017 \$
Opening balance	22,206	-
Additional provisions recognised	-	22,206
Closing balance	22,206	22,206

Customers with balances past due but without provision for impairment of receivables amount to \$60,626 as at 30 June 2018 (\$1,280 as at 30 June 2017).

	Consolidated	
	2018 \$	2017 \$
0 to 3 months overdue	16,288	-
3 to 6 months overdue	4,807	-
Over 6 months overdue	39,531	1,280
	60,626	1,280

NOTE 10. CURRENT ASSETS - OTHER

	Consolidated	
	2018 \$	2017 \$
Prepayments	1,151,348	1,120,753
Security deposits	133,776	133,776
Other deposits	450	450
	1,285,574	1,254,979

NOTE 11. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	2018 \$	2017 \$
Leasehold improvements - at cost	800,159	696,857
Less: Accumulated depreciation	(286,669)	(116,251)
	513,490	580,606
Furniture and fittings - at cost	16,592	16,592
Less: Accumulated depreciation	(16,592)	(12,217)
	-	4,375
Computer equipment - at cost	791,259	747,033
Less: Accumulated depreciation	(707,802)	(627,355)
	83,457	119,678
Computer platform - at cost	237,838	236,306
Less: Accumulated depreciation	(235,024)	(227,074)
	2,814	9,232
	599,761	713,891

Reconciliations

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

Consolidated	Leashold Improvement \$	Furniture and fittings \$	Computer equipment \$	Computer platform \$	Total \$
Balance at 1 July 2016	484,011	5,331	205,278	15,377	709,997
Additions	205,018	1,103	33,361	1,376	240,858
Write off of assets	-	-	(42,317)	-	(42,317)
Depreciation expense	(108,423)	(2,059)	(76,644)	(7,521)	(194,647)
Balance at 30 June 2017	580,606	4,375	119,678	9,232	713,891
Additions	103,302	-	44,226	1,532	149,060
Depreciation expense	(170,418)	(4,375)	(80,447)	(7,950)	(263,190)
Balance at 30 June 2018	513,490	-	83,457	2,814	599,761

Property, plant and equipment secured under finance leases

Refer to note 29 for further information on property, plant and equipment secured under finance leases.

NOTE 12. NON-CURRENT ASSETS - INTANGIBLES

	Consolidated	
	2018 \$	2017 \$
Capitalised development costs - at cost	10,168,100	8,634,461
Less: Accumulated amortisation	(7,105,483)	(6,167,441)
	3,062,617	2,467,020
Patents - at cost	121,888	97,425
Less: Accumulated amortisation	(63,432)	(41,124)
	58,456	56,301
	3,121,073	2,523,321

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 2016	2,042,794	45,218	2,088,012
Additions	1,186,936	27,137	1,214,073
Amortisation expense	(762,710)	(16,054)	(778,764)
Balance at 30 June 2017	2,467,020	56,301	2,523,321
Additions	1,531,906	24,463	1,556,369
Amortisation expense	(936,309)	(22,308)	(958,617)
Balance at 30 June 2018	3,062,617	58,456	3,121,073

NOTE 13. NON-CURRENT ASSETS - DEFERRED TAX

		Consolidated	
	Note	2018 \$	2017 \$
Deferred tax asset comprises temporary differences attributable to:			
Amounts recognised in profit or loss			
Tax losses		328,317	1,415,311
Provisions		271,168	249,788
Deferred income		232,098	199,455
Property, plant and equipment		26,712	16,572
Development costs		(858,295)	(756,996)
Deferred tax asset		-	1,124,130
Movements			
Opening balance		1,124,130	611,576
Credited/(charged) to profit or loss	7	(1,124,130)	512,554
Closing balance		-	1,124,130

NOTE 14. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

		Consolidated	
		2018 \$	2017 \$
Trade payables		1,215,867	1,556,934
Accrued expenses		1,646,444	1,287,067
		2,862,311	2,844,001

Refer to note 25 for further information on financial instruments.

NOTE 15. CURRENT LIABILITIES - EMPLOYEE BENEFITS

		Consolidated	
		2018 \$	2017 \$
Annual leave		490,423	377,139
Long service leave		171,127	153,439
		661,550	530,578

NOTE 16. CURRENT LIABILITIES - OTHER

	Consolidated	
	2018 \$	2017 \$
Deferred research and development income	256,633	211,047
Income received in advance	1,875,898	1,039,643
	2,132,531	1,250,690

NOTE 17. CURRENT LIABILITIES - BORROWINGS

	Consolidated	
	2018 \$	2017 \$
Lease liability	87,139	200,237

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

Refer to note 25 for further information on financial instruments.

NOTE 18. NON-CURRENT LIABILITIES - BORROWINGS

	Consolidated	
	2018 \$	2017 \$
Lease liability	-	87,139

Refer to note 25 for further information on financial instruments.

Total secured liabilities

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

	Consolidated	
	2018 \$	2017 \$
Lease liability	87,139	287,376

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	
	2018 \$	2017 \$
Total facilities		
NAB lease facility	300,000	300,000
Other lease facility	-	115,942
Corporate credit card facility	80,000	50,000
	380,000	465,942
Used at the reporting date		
NAB lease facility	87,139	171,435
Other lease facility	-	115,942
Corporate credit card facility	1,804	-
	88,943	287,377
Unused at the reporting date		
NAB lease facility	212,861	128,565
Other lease facility	-	-
Corporate credit card facility	78,196	50,000
	291,057	178,565

NOTE 19. NON-CURRENT LIABILITIES - EMPLOYEE BENEFITS

	Consolidated	
	2018 \$	2017 \$
Long service leave	71,866	49,399

NOTE 20. NON-CURRENT LIABILITIES - PROVISIONS

	Consolidated	
	2018 \$	2017 \$
Lease make-good	152,649	152,649

Lease make-good

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

Movements in provisions

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

Consolidated - 2018	Lease make-good \$
Carrying amount at the start of the year	152,649
Carrying amount at the end of the year	152,649

NOTE 21. NON-CURRENT LIABILITIES - OTHER

	Consolidated	
	2018 \$	2017 \$
Deferred research and development income	587,359	453,804
Income received in advance	1,382,553	1,454,594
	1,969,912	1,908,398

NOTE 22. EQUITY - ISSUED CAPITAL

	2018 Shares	2017 Shares	Consolidated	
			2018 \$	2017 \$
Ordinary shares - fully paid	224,733,105	179,786,485	25,231,669	15,773,846

Movements in ordinary share capital

Details	Shares	\$
Balance at 1 July 2016	179,786,485	15,773,846
Balance at 30 June 2017	179,786,485	15,773,846
Issue of shares 20 October 2017	19,772,732	4,350,001
Issue of shares 25 May 2018	25,173,888	5,789,994
Share issue transaction costs, net of tax	-	(682,172)
Balance at 30 June 2018	224,733,105	25,231,669

Ordinary shares

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

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

Share buy-back

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

Capital risk management

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

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

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

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

The capital risk management policy remains unchanged from the 30 June 2017 Annual Report.

NOTE 23. EQUITY - RESERVES

	Consolidated	
	2018 \$	2017 \$
Share-based payments reserve	1,731,056	1,621,813

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 \$
Balance at 1 July 2016	397,911
Share-based payment expense	1,223,902
Balance at 30 June 2017	1,621,813
Share-based payment expense	109,243
Balance at 30 June 2018	1,731,056

NOTE 24. EQUITY - DIVIDENDS

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

NOTE 25. 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 risk.

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 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 2018 owed the consolidated entity \$1,621,795 (94% of trade receivables) (2017: \$2,139,367 (97% of trade receivables)). This balance was within its terms of trade and no impairment was made as at 30 June 2018. 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	
	2018 \$	2017 \$
NAB lease facility	212,861	128,565
Corporate credit card facility	78,196	50,000
	291,057	178,565

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 - 2018	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
	\$	\$	\$	\$	\$
Non-derivatives					
Non-interest bearing					
Trade payables	1,215,867	-	-	-	1,215,867
Interest-bearing - variable					
Lease liability	89,064	-	-	-	89,064
Total non-derivatives	1,304,931	-	-	-	1,304,931
Consolidated - 2017	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
	\$	\$	\$	\$	\$
Non-derivatives					
Non-interest bearing					
Trade payables	1,556,934	-	-	-	1,556,934
Interest-bearing - variable					
Lease liability	212,503	101,179	-	-	313,682
Total non-derivatives	1,769,437	101,179	-	-	1,870,616

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

NOTE 26. FAIR VALUE MEASUREMENT

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

NOTE 27. REMUNERATION OF AUDITORS

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

	Consolidated	
	2018	2017
	\$	\$
Audit services - Grant Thornton		
Audit or review of the financial statements	106,526	116,483

NOTE 28. CONTINGENT LIABILITIES

The consolidated entity has given bank guarantees as at 30 June 2018 of \$133,776 (2017: \$133,776) to various landlords.

NOTE 29. COMMITMENTS

		Consolidated	
	Note	2018 \$	2017 \$
Lease commitments - operating			
Committed at the reporting date but not recognised as liabilities, payable:			
Within one year		310,860	292,497
One to five years		584,259	853,116
		895,119	1,145,613
Lease commitments - finance			
Committed at the reporting date and recognised as liabilities, payable:			
Within one year		89,064	212,503
One to five years		-	101,179
Total commitment		89,064	313,682
Less: Future finance charges		(1,925)	(26,306)
Net commitment recognised as liabilities		87,139	287,376
Representing:			
Lease liability - current	17	87,139	200,237
Lease liability - non-current	18	-	87,139
		87,139	287,376

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 \$97,043 (2017: \$109,304) 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 30. 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	
	2018 \$	2017 \$
Short-term employee benefits	1,146,736	1,070,140
Post-employment benefits	93,248	59,195
Long-term benefits	4,145	4,145
Termination benefits	170,000	-
Share-based payments	211,849	952,819
	1,625,978	2,086,299

NOTE 31. RELATED PARTY TRANSACTIONS

Parent entity

FirstWave Cloud Technology Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 33.

Key management personnel

Disclosures relating to key management personnel are set out in note 30 and the remuneration report included in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2018 \$	2017 \$
Other income		
Interest received from key management personnel	16,620	16,630

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	
	2018 \$	2017 \$
Current receivables		
Loan to key management personnel*	221,520	221,520

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

Terms and conditions

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

NOTE 32. PARENT ENTITY INFORMATION

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

Statement of profit or loss and other comprehensive income

	Parent	
	2018 \$	2017 \$
Loss after income tax	(632,910)	(525,010)
Total comprehensive income	(632,910)	(525,010)

Statement of financial position

	Parent	
	2018 \$	2017 \$
Total current assets	-	75,981
Total assets	21,645,821	12,820,906
Total current liabilities	-	-
Total liabilities	-	-
Equity		
Issued capital	25,231,669	15,773,846
Accumulated losses	(3,585,848)	(2,952,940)
Total equity	21,645,821	12,820,906

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 2018 and 30 June 2017.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2018 and 30 June 2017.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2018 and 30 June 2017.

Significant accounting policies

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

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

NOTE 33. INTERESTS IN SUBSIDIARIES

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

Name	Principal place of business / Country of incorporation	Ownership interest	
		2018 %	2017 %
FirstWave Technology Pty Ltd	Australia	100	100
FirstWave Cloud Technology Inc.	The United States of America	100	-
FirstWave Cloud Technology (Singapore) Ltd	Singapore	100	-

NOTE 34. CASH FLOW INFORMATION

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

	Consolidated	
	2018 \$	2017 \$
Loss after income tax benefit/(expense) for the year	(8,717,386)	(5,066,543)
Adjustments for:		
Depreciation and amortisation	1,221,807	973,411
Write off of property, plant and equipment	-	42,317
Share-based payments - employees	109,243	1,223,902
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	937,084	(840,302)
Decrease/(increase) in deferred tax assets	1,124,130	(512,554)
Decrease in accrued revenue	-	291,198
Decrease/(increase) in prepayments	678,845	(1,434,324)
Increase in trade and other payables	18,310	943,251
Increase in employee benefits	153,439	149,340
Increase in other operating liabilities	943,355	1,921,122
Net cash used in operating activities	(3,531,173)	(2,309,182)

Changes in liabilities arising from financing activities

Consolidated	Lease liability \$	Insurance liability \$	Total \$
Balance at 1 July 2016	481,389	98,710	580,099
Net cash used in financing activities	(194,013)	(98,710)	(292,723)
Balance at 30 June 2017	287,376	-	287,376
Net cash used in financing activities	(200,237)	-	(200,237)
Balance at 30 June 2018	87,139	-	87,139

NOTE 35. EARNINGS PER SHARE

	Consolidated	
	2018 \$	2017 \$
Loss after income tax attributable to the owners of FirstWave Cloud Technology Limited	(8,717,386)	(5,066,543)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	196,098,013	179,786,485
Weighted average number of ordinary shares used in calculating diluted earnings per share	196,098,013	179,786,485
	Cents	Cents
Basic earnings per share	(4.45)	(2.82)
Diluted earnings per share	(4.45)	(2.82)

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

NOTE 36. SHARE-BASED PAYMENTS

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

During the financial year 4,050,000 options were granted (2017: Nil). The share-based payment expense for the year was \$109,243 (2017: \$1,223,902).

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

2018							
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
18/05/2016	19/05/2020	\$0.30	750,000	-	-	-	750,000
18/05/2016	19/05/2020	\$0.35	230,000	-	-	-	230,000
18/05/2016	19/05/2021	\$0.30	750,000	-	-	(250,000)	500,000
18/05/2016	19/05/2021	\$0.35	2,250,000	-	-	(750,000)	1,500,000
18/05/2016	19/05/2022	\$0.40	3,750,000	-	-	(1,250,000)	2,500,000
18/05/2016	11/05/2022	\$0.25	6,260,000	-	-	-	6,260,000
18/05/2016	11/05/2023	\$0.25	1,460,000	-	-	(960,000)	500,000
18/05/2016	11/05/2023	\$0.35	1,640,000	-	-	(1,440,000)	200,000
18/05/2016	11/05/2024	\$0.25	2,000,000	-	-	-	2,000,000
18/05/2016	11/05/2024	\$0.35	200,000	-	-	-	200,000
18/05/2016	11/05/2025	\$0.35	800,000	-	-	-	800,000
18/05/2016	11/05/2024	\$0.45	1,440,000	-	-	(1,440,000)	-
30/11/2017	31/05/2023	\$0.65	-	100,000	-	-	100,000
30/11/2017	31/05/2024	\$0.65	-	100,000	-	-	100,000
30/11/2017	28/02/2022	\$0.75	-	333,400	-	-	333,400
30/11/2017	28/02/2023	\$0.75	-	333,300	-	-	333,300
30/11/2017	28/02/2024	\$0.75	-	333,300	-	-	333,300
30/11/2017	31/05/2024	\$0.76	-	300,000	-	-	300,000
30/11/2017	31/05/2025	\$0.87	-	500,000	-	-	500,000
13/04/2018	12/04/2021	\$0.40	-	1,416,667	-	-	1,416,667
13/04/2018	12/04/2021	\$0.50	-	316,667	-	-	316,667
13/04/2018	12/04/2021	\$0.60	-	316,666	-	-	316,666
			21,530,000	4,050,000	-	(6,090,000)	19,490,000
Weighted average exercise price			\$0.32	\$0.61	\$0.00	\$0.37	\$0.36

Outstanding options vested and exercisable as at 30 June 2018: 4,203,400 (2017: 7,240,000).

2017

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
18/05/2016	19/05/2020	\$0.30	800,000	-	-	(50,000)	750,000
18/05/2016	19/05/2020	\$0.35	270,000	-	-	(40,000)	230,000
18/05/2016	19/05/2021	\$0.30	800,000	-	-	(50,000)	750,000
18/05/2016	19/05/2021	\$0.35	2,400,000	-	-	(150,000)	2,250,000
18/05/2016	19/05/2022	\$0.40	4,000,000	-	-	(250,000)	3,750,000
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
			22,070,000	-	-	(540,000)	21,530,000
Weighted average exercise price			\$0.32	\$0.00	\$0.00	\$0.37	\$0.32

The weighted average share price during the financial year was \$0.29 (2017: \$0.40).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 4.76 years (2017: 5.34 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
30/11/2017	31/05/2023	\$0.28	\$0.65	34.00%	-	1.75%	\$0.020
30/11/2017	31/05/2024	\$0.28	\$0.65	34.00%	-	1.75%	\$0.030
30/11/2017	28/02/2022	\$0.28	\$0.75	34.00%	-	1.75%	\$0.010
30/11/2017	28/02/2023	\$0.28	\$0.75	34.00%	-	1.75%	\$0.020
30/11/2017	28/02/2024	\$0.28	\$0.75	34.00%	-	1.75%	\$0.020
30/11/2017	31/05/2024	\$0.28	\$0.76	34.00%	-	1.75%	\$0.020
30/11/2017	31/05/2025	\$0.28	\$0.87	34.00%	-	1.75%	\$0.020
13/04/2018	21/04/2021	\$0.28	\$0.40	34.00%	-	1.75%	\$0.036
13/04/2018	21/04/2021	\$0.28	\$0.50	34.00%	-	1.75%	\$0.021
13/04/2018	21/04/2021	\$0.28	\$0.60	34.00%	-	1.75%	\$0.013

NOTE 37. EVENTS AFTER THE REPORTING PERIOD

On 19 July 2018, the consolidated entity announced the signing of a software original equipment manufacturer (OEM) development and licensing agreement with Cisco Systems Inc. This is a significant first step that is expected to drive global growth, accelerating the 'Expand' phase of the consolidated entity's five-year strategic plan.

The consolidated entity has now confirmed the key appointment of Mr David Kirton as Chief Executive Officer at a meeting of the Board of directors held on 27 August 2018.

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

DIRECTORS' DECLARATION

In the directors' opinion:

- The attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements.
- The attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements.
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the financial year ended on that date.
- 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.



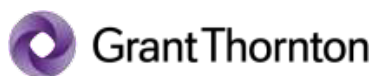
ALEXANDER KELTON
Non-Executive Chairman



SIMON MOORE
Director

30 August 2018

INDEPENDENT AUDITOR'S REPORT



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Independent Auditor's Report

To the Members of Firstwave Cloud Technology Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Firstwave Cloud Technology Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

- a giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

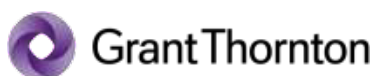
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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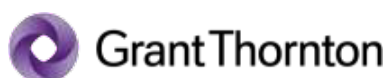
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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Going concern (Note 1) The Group made a loss of \$8,717,386 for the year ended 30 June 2018 and has accumulated losses of \$21,226,472 as at 30 June 2018. The Group's use of the going concern basis of accounting and the associated extent of uncertainty is a key audit matter due to the high level of judgment required in evaluating the Group's assessment of going concern. The Directors have determined that the use of the going concern basis of accounting is appropriate in preparing the financial report. Their assessment of going concern was based on cash flow projections. The preparation of these projections incorporated a number of assumptions and judgments, and the Directors have concluded that the range of possible outcomes considered in arriving at this judgment does not give rise to a material uncertainty casting significant doubt on the Group's ability to continue as a going concern.	Our procedures included, amongst others: • Obtaining and reviewing management's cash flow forecast to assess whether current cash levels can sustain operations for a period of at least 12 months from the proposed date of signing the financial statements; • Agreeing year end cash balances to third party independent confirmations received to gain comfort around the opening balances used in the cash flow forecast; • Assessing the Group's current level of income and expenditure against management's forecast for consistency of relationships and trends to the historical results, and results since year end; and • Performing sensitivity analysis on the significant inputs and assumptions made by management in preparing its cash flow forecast; and • Assessing the adequacy of the related disclosures within the financial report.
Revenue recognition (Note 4) Revenue of \$7,817,128 has been recognised during the year ended 30 June 2018, and income received in advance of \$3,258,451 has been included in the statement of financial position. This is a key audit matter given the management judgement involved in applying a revenue recognition policy given the complexities around accounting for income received in advance.	Our procedures included, amongst others: • Assessing the revenue recognition policies for appropriateness and compliance with AASB 118: <i>Revenues</i>, as well as reviewing consistency with the prior period; • Comparing revenue by month and across each revenue stream to prior periods in order to identify and follow up any unusual trends; • Testing a sample of revenue transactions for each revenue stream by tracing through to service agreement to identify contract terms, and recalculating revenue recognised during the period to assess for appropriateness; • Assessing whether revenue has been recognised in accordance with revenue recognition policies; • Testing a sample of transactions near period end to assess whether the related revenue has been recognised in the appropriate period; • Reviewing management's assessment of the impact of adopting AASB 15: <i>Revenue from Contracts with Customers</i>; and • Assessing the adequacy of related disclosures in the financial statements.



Key audit matter

How our audit addressed the key audit matter

Capitalised product development costs (Note 12)

Capitalised product development costs had a net carrying value of \$3,062,617 at 30 June 2018.

During the year the Group capitalised \$1,531,906 of project development costs. These intangible assets are being amortised over a 5 – 7 year period, and an amortisation expense of \$936,309 has been included in the statement of profit or loss and other comprehensive income.

AASB 138: *Intangible Assets* sets out the specific requirements to be met in order to capitalise development costs. Intangible assets should be amortised over their useful economic lives in accordance with AASB 138.

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

Our procedures included, amongst others:

- Assessing the Group's accounting policy in respect of product development costs for adherence to AASB 138;
- Evaluating management's assessment of each project for compliance with the recognition criteria set out in AASB 138, including discussing project plans with management and project leaders to develop an understanding of the nature and feasibility of key projects at 30 June 2018;
- Testing a sample of costs capitalised by tracing to underlying support such as vendor invoices and payroll records in order to understand the nature of the item and whether the expenditure was attributable to the development of the related asset, and therefore whether capitalisation was in accordance with the recognition criteria of AASB 138;
- Evaluating the reasonableness of useful lives to be applied in future reporting periods; and
- Assessing the adequacy of related disclosures in the financial statements.

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

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors' for the financial report

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

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 17 to 26 of the Directors' Report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Firstwave Cloud Technology Limited, for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Grant Thornton Audit Pty Ltd
Chartered Accountants

C F Farley
Partner – Audit & Assurance

Sydney, 30 August 2018

07 | SHAREHOLDER INFORMATION

The following information is provided pursuant to Listing Rule 4.10 and is current as at 13 September 2018.

Distribution of Shareholders

Range	Total Shareholders	Units	Units %
1 - 1,000	1,748	81,359	0.04
1,001 - 5,000	240	694,421	0.31
5,001 - 10,000	162	1,345,206	0.6
10,001 - 100,000	673	27,844,968	12.39
100,001 over	299	194,767,151	86.67
Rounding			-0.01
Total	3,122	224,733,105	100

Unmarketable Parcels

	Minimum Parcel Size	Shareholders	Units
Minimum \$500.00 parcel at \$0.2350 per unit	2,128	1,838	233,284

Substantial Shareholders

The names of substantial Shareholders and the number of shares to which each substantial Shareholder and their associates have a relevant interest, as disclosed in substantial Shareholder notices given to the company, is as follows:

Rank	Name	Units	Units %
1	Mr Greg Maren + Mrs Geraldine Maren <Maren Super Fund A/C>	16,365,598	7.28
2	Mr Scott Lidgett + Mrs Katherine Lidgett <Lidgett Super Fund A/C>	16,084,036	7.16

Top 20 Ordinary Shareholders

Rank	Name	Units	Units %
1	Mr Greg Maren + Mrs Geraldine Maren <Maren Super Fund A/C>	16,365,598	7.28
2	Mr Scott Lidgett + Mrs Katherine Lidgett <Lidgett Super Fund A/C>	16,084,036	7.16
3	HSBC Custody Nominees (Australia) Limited - A/C 2	9,502,963	4.23
4	Mr Edward Keating + Mrs Linda Keating	6,438,047	2.86
5	Mr Richard Beswick	5,561,382	2.47
6	Mr Simon Ryan	4,615,000	2.05
7	Willroth Pty Ltd <The Willroth A/C>	4,107,675	1.83
8	Mr Scott Lidgett	3,570,811	1.59
9	Willow Wattle Pty Ltd <Beswick Clatworthy S/F A/C>	3,444,340	1.53
10	Eremitte Pty Ltd <Jamieson Family A/C>	3,348,565	1.49
11	Quotidian No 2 Pty Ltd	2,452,156	1.09
12	Markets-Alert Pty Limited	2,443,120	1.09
13	Scott McNeillage Pty Limited <McNeillage Super Fund A/C>	2,293,684	1.02
14	Mr David Rothwell	2,217,391	0.99
15	RTEC (NSW) Pty Ltd <RTEC Trading A/C>	2,115,000	0.94
16	Mr Simon Moore	2,100,000	0.93
17	Mr Greg Maren + Mrs Geraldine Maren <Maren Family A/C>	2,036,034	0.91
18	Mr James Broomhead	2,000,000	0.89
19	Quotidian No 2 Pty Ltd	1,810,487	0.81
20	Eremitte Pty Ltd <Jamieson Super Fund A/C>	1,805,000	0.8
Top 20 Shareholders of fully paid ordinary shares (total)		94,311,289	41.97
Total remaining Shareholders' balance		130,421,816	58.03

Unquoted Equity Securities

	Number on issue	Number of Holders
Options over ordinary shares	24,570,000	44

Unlisted Options

The options on issue as at 11 September 2018 are 20,730,000.

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.
- 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 and 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.

08 | CORPORATE DIRECTORY

Directors

Alexander Kelton	-	Non-Executive Chairman
Sam Saba	-	Non-Executive Director
Scott Lidgett	-	Non-Executive Director
Paul MacRae	-	Non-Executive Director
Simon Moore	-	Non-Executive Director
Edward Keating	-	Non-Executive Director (resigned on 13 July 2018)

Company Secretary

Gai Stephens

Registered Office and Principal Place of Business

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North Sydney NSW 2060
Australia
Tel: +61 2 9409 7000

Share Registry

Computershare Investor Services Pty Limited
Level 5, 115 Grenfell Street
Adelaide SA 5000
Australia
Tel: 1300 787 272

Auditor

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

Stock Exchange Listing

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

Website

<https://www.firstwavecloud.com>

Corporate Governance Statement

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

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FIRSTWAVE
CLOUD SECURITY TECHNOLOGY

ANNUAL
REPORT

2018