Firstwave Cloud Technology Limited

ABN 35 144 733 595

Annual Financial Report - 30 June 2017

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 2017.

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

Alexander Kelton - Chairman
Steven O'Brien (resigned with effect from 3 October 2017)
David Garnier
Edward Keating
Scott Lidgett
Paul Macrae
Simon Moore (appointed on 1 March 2017)
Richard Beswick (alternate to Scott Lidgett appointed on 8 June 2017)

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 $5,066,543 (30 June 2016: $4,654,811).

Financial review

Profit or loss performance
The consolidated entity’s revenue for the year was $6,435,660, which represents growth of 0.5% over the prior comparative period (‘PCP’). Licensing and support revenue grew by 21% for the year and by 24% in the second half of financial year 2017 ('FY17') compared with PCPs. Professional Services revenue was $806,369, representing a ratio of 14.3% to licensing and support revenue.

FY17 revenue was below the consolidated entity's expectations following a 2 to 3 quarter lag in converting identified market opportunities for Platform as a Service, Next Generation Firewall and Email security services in both domestic and international markets. The consolidated entity’s opportunity pipeline remains strong and anticipates the growing momentum in licensing and support revenue to continue in FY18 and beyond.

The consolidated entity’s loss after income tax amounted to $5,066,543 (2016: loss of $4,654,811). This result includes the full impact of the recognition of non-cash share-based payment expenses of $1,223,902 due to stock options granted to employees and officers. These are reported in general administration expenses in the statement of profit or loss and other comprehensive income.

Statement of financial position
Cash and cash equivalents decreased by $4,010,526 to $1,761,889 at 30 June 2017. This is driven by the consolidated entity’s investment in its cloud based managed security services. Of this decrease, $2,309,182 represented cash outflows from operating activities. Cash used in operating activities improved $1,456,437 (39%) on the PCP driven by the consolidated entity’s focus in optimising working capital. The consolidated entity anticipates that optimising working capital will be an important component of managing its cash position as the business transitions to profitability.

Trade receivables of $2,198,049 at 30 June 2017 have been substantially realised after the year end.

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 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.

Significant changes in the state of affairs

There were no 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 26 September 2017, the consolidated entity announced the resignation of Steven O'Brien, CEO and Managing Director, with effect from 3 October 2017.

No other matter or circumstance has arisen since 30 June 2017 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 FY18 are to invest in product development, to enhance its customer experience and to secure new annualised recurring revenue contracts in domestic and international markets. Domestic channel expansion through the launch of new cloud platforms, upon which, the consolidated entity will expand its reseller and direct distribution offerings is planned for FY2018.

In product development, the consolidated entity will continue investing in technology to enable vendors to enhance their virtualised offering to 'telco one touch readiness'. This will deliver a far greater level of automation and efficiency to a significantly broader market of small and medium businesses who were previously unable to access this offering.

In business development, the consolidated entity will continue investing into international markets to convert its existing strong pipeline of opportunities into annualised recurring revenue contracts. In addition, the consolidated entity will continue to scale its existing capabilities for current and new clients.

Environmental regulation

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

Information on directors

Name:	Alexander Kelton
Title:	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.
Other current directorships:	Chairman of Mobile Embrace Ltd (ASX: MBE); Megaport Limited (ASX: MB1)
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit and Risk Committee and Member of Remuneration and Nomination Committee
Interests in shares:	1,215,625
Interests in options:	4,200,000

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

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

Name:	Edward Keating
Title:	Non-Executive Director
Experience and expertise:	Following a career in information technology (Systems Analyst/IT Management), Edward became involved with numerous business start-ups including: Logical Solutions; Software Strategies; Computer Faculties; ChannelWorx and Firstwave Technology. He has also had exposure to a variety of Cloud-based technologies, since first engaging with the industry in 2001.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit and Risk Committee
Interests in shares:	6,591,427
Interests in options:	1,200,000

Name:	Scott Lidgett
Title:	Non-Executive Director
Qualifications:	Scott holds formal qualifications in Engineering.
Experience and expertise:	Scott is a co-founder of Lidcam Technology Pty Ltd and Channelworx Pty Ltd. Scott has been in the IT industry since the mid-1980s. Prior to Lidcam and Channelworx, Scott worked in corporate sales at Logical Solutions Pty Ltd, the leading reseller of Apple Computer products at the time. Channelworx, a leading IT distribution business, was acquired by US listed IT giant, Avnet Inc. in November 2007. In November 2009, Scott, was involved in the formation of a new IT security business IPSec Pty Ltd, where he also serves as Chairman.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of Remuneration and Nomination Committee
Interests in shares:	19,654,847
Interests in options:	1,200,000

Name:	Paul Macrae
Title:	Non-Executive Director
Qualifications:	Paul holds a Master of Business Administration (MBA) from University of Strathclyde and a Bachelor of Science in Chemistry from The University of Glasgow.
Experience and expertise:	Paul has a successful history of setting up new businesses in the IT industry in Australia and overseas. Since moving to Australia in 1989 he has been involved with the IT industry at a senior level. Paul also runs part of the largest listed Australian Enterprise Software company - TechnologyOne. Paul has a strong background in IT security, application software, software development, outsourcing, cloud computing and transactional systems. His roles have included establishing MessageLabs in Australia, Galileo in New Zealand, setting up and selling a successful SAP Consultancy and growing business at a leading HRMS software company.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chairman of the Remuneration and Nomination Committee
Interests in shares:	1,634,888
Interests in options:	1,200,000

Name:	Simon Moore
Title:	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); Coates Hire Limited (ASX: COA); TPI Enterprises Limited (ASX: TPE)
Former directorships (last 3 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:	None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

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

Company secretary

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

Meetings of directors
The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2017, and the number of meetings attended by each director were:

	Full Board		Remuneration and Nomination Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Alexander Kelton - Chairman	11	11	5	5	2	2
Steven O'Brien	11	11	-	-	-	-
David Garnier	11	11	-	-	2	2
Edward Keating	11	11	-	-	2	2
Scott Lidgett	10	11	3	5	-	-
Paul Macrae	11	11	5	5	-	-
Simon Moore	4	4	-	-	-	-
Richard Beswick (alternate to Scott Lidgett)	1	1	2	5	-	-

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

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

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

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

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration
The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:
- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation; and
- transparency.

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

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

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:
- having economic profit as a core component of plan design;
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracting and retaining high calibre executives.

Additionally, the reward framework should seek to enhance executives' interests by:
- rewarding capability and experience;
- reflecting competitive reward for contribution to growth in shareholder wealth; and
- providing a clear structure for earning rewards.

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

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

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was at the Extraordinary General Meeting held on 15 April 2016, where the shareholders approved a maximum annual aggregate 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') program is designed to align the targets of the business units with the targets of those executives responsible for meeting those targets. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI’s relate to qualitative and quantitative leadership performance and subject to Board discretion. There were no STI payments awarded during the year ended 30 June 2017.

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 2017.

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 2017, the consolidated entity did not engage any remuneration consultants.

Voting and comments made at the company's 2016 Annual General Meeting ('AGM')
At the 2016 AGM, shareholders voted to approve the adoption of the remuneration report of the company for the year ended 30 June 2016. 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 - Chief Financial Officer (appointed on 9 May 2017)
- Murray Scott - Chief Financial Officer (ceased to be KMP on 8 May 2017)

Changes since the end of the reporting period:
On 26 September 2017, the consolidated entity announced the resignation of Steven O'Brien, CEO and Managing Director, with effect from 3 October 2017.

	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
David Garnier	48,000	-	-	760	-	117,246	166,006
Edward Keating	48,000	-	-	760	-	117,246	166,006
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
Executive Directors:							
Steven O'Brien	270,000	-	-	30,847	-	227,096	527,943
Other Key Management Personnel:							
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.

2016	Short-term benefits: Cash salary and fees $	Short-term benefits: Cash bonus $	Short-term benefits: Non-monetary $	Post-employment benefits: Super-annuation $	Long-term benefits: Long service leave $	Share-based payments: Equity-settled options $	Total $
Non-Executive Directors:							
Alexander Kelton*	120,000	-	-	-	-	23,202	143,202
David Garnier	23,348	-	-	-	-	15,954	39,302
Edward Keating	41,932	-	-	2,971	-	15,954	60,857
Scott Lidgett	35,674	-	-	-	-	15,954	51,628
Paul Macrae	23,250	-	-	-	-	15,954	39,204
Executive Directors:							
Steven O'Brien	270,000	60,000	-	1,609	-	28,467	360,076
Other Key Management Personnel:							
Simon Ryan	226,724	5,000	-	21,539	39,317	8,122	300,702
Murray Scott	236,000	30,000	-	-	-	-	266,000
	976,928	95,000	-	26,119	39,317	123,607	1,260,971

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

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

Name	Fixed remuneration 2017	2016	At risk-STI 2017	2016	At risk - LTI 2017	2016
Non-Executive Directors:						
Alexander Kelton	45%	84%	-	-	55%	16%
David Garnier	29%	59%	-	-	71%	41%
Edward Keating	29%	74%	-	-	71%	26%
Scott Lidgett	29%	69%	-	-	71%	31%
Paul Macrae	29%	59%	-	-	71%	41%
Simon Moore	100%	-	-	-	-	-
Executive Directors:						
Steven O'Brien	57%	75%	-	17%	43%	8%
Other KMP:						
Simon Ryan	79%	95%	-	2%	21%	3%
David Kirton	100%	-	-	-	-	-
Murray Scott	100%	89%	-	11%	-	-

Service agreements

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

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

Share-based compensation

Issue of shares
There were no shares issued to directors and other KMP as part of compensation during the year ended 30 June 2017.

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

* The share option plan is subject to participants meeting service condition (continuous employment with the company) 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:

Name	Number of options granted during the year 2017	Number of options granted during the year 2016	Number of options vested during the year 2017	Number of options vested during the year 2016
Alexander Kelton	-	4,200,000	500,000	-
David Garnier	-	1,200,000	1,200,000	-
Edward Keating	-	1,200,000	1,200,000	-
Scott Lidgett	-	1,200,000	1,200,000	-
Paul Macrae	-	1,200,000	1,200,000	-
Steven O'Brien	-	4,800,000	960,000	-
Simon Ryan	-	1,500,000	150,000	-

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	1,015,625	-	100,000	-	1,115,625
David Garnier	1,449,430	-	-	-	1,449,430
Edward Keating	6,638,724	-	-	(47,297)	6,591,427
Scott Lidgett	19,654,847	-	-	-	19,654,847
Paul Macrae	1,634,888	-	-	-	1,634,888
Simon Moore*	2,100,000	-	-	-	2,100,000
Simon Ryan	4,615,000	-	-	-	4,615,000
Murray Scott	1,153,745	-	-	-	1,153,745
Richard Beswick (alternate to Scott Lidgett)*	9,725,171	-	-	-	9,725,171
	47,987,430	-	100,000	(47,297)	48,040,133

* Balance at the start of the year represents shares held on commencement as KMP.

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
David Garnier	1,200,000	-	-	-	1,200,000
Edward Keating	1,200,000	-	-	-	1,200,000
Scott Lidgett	1,200,000	-	-	-	1,200,000
Paul Macrae	1,200,000	-	-	-	1,200,000
Steven O'Brien	4,800,000	-	-	-	4,800,000
Simon Ryan	1,500,000	-	-	-	1,500,000
	15,300,000	-	-	-	15,300,000

* The above excludes 1,000,000 options to be issued to Simon Moore and David Kirton each, to be granted on approval by the shareholders at the Annual General Meeting to be held in November 2017.

	Vested and exercisable	Vested and unexercisable	Balance at the end of the year
Options over ordinary shares			
Alexander Kelton	500,000	-	500,000
David Garnier	1,200,000	-	1,200,000
Edward Keating	1,200,000	-	1,200,000
Scott Lidgett	1,200,000	-	1,200,000
Paul Macrae	1,200,000	-	1,200,000
Steven O'Brien	960,000	-	960,000
Simon Ryan	150,000	-	150,000
	6,410,000	-	6,410,000

Loans to key management personnel and their related parties
During the year ended 30 June 2017, the consolidated entity provided an unsecured loan to Simon Ryan for $221,520 (2016: $221,520). Interest is charged on outstanding balance at 7.5% per annum. During the year ended 30 June 2017, an interest of $16,630 is receivable from Simon Ryan (2016: $2,285) 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	750,000
18/05/2016	19/05/2021	$0.35	2,250,000
18/05/2016	19/05/2022	$0.40	3,750,000
18/05/2016	11/05/2022	$0.25	6,260,000
18/05/2016	11/05/2023	$0.25	1,460,000
18/05/2016	11/05/2023	$0.35	1,640,000
18/05/2016	11/05/2024	$0.25	2,000,000
18/05/2016	11/05/2024	$0.35	200,000
18/05/2016	11/05/2025	$0.35	800,000
18/05/2016	11/05/2024	$0.45	1,440,000
			21,530,000

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 2017 and up to the date of this report.

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

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

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

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

Proceedings on behalf of the company
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services
Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 27 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 27 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:
- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

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

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

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	Steven O'Brien
Chairman	Managing Director

28 September 2017

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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 2017, 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, 28 September 2017

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 28 September 2017. The directors have the power to amend and reissue the financial statements.

Firstwave Cloud Technology Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

	Note	Consolidated 2017 $	Consolidated 2016 $
Revenue			
Sales revenue	4	6,435,660	6,401,718
Cost of sales		(2,422,997)	(1,702,334)
Gross profit		4,012,663	4,699,384
Other income	5	596,620	232,949
Expenses			
Sales and marketing		(2,115,760)	(2,152,390)
Engineering and development		(3,438,515)	(1,352,675)
General and administration		(4,601,532)	(3,545,275)
Listing expenses	6	-	(2,932,498)
Finance costs	6	(32,573)	(106,568)
Total expenses		(10,188,380)	(10,089,406)
Loss before income tax benefit		(5,579,097)	(5,157,073)
Income tax benefit	7	512,554	502,262
Loss after income tax benefit for the year attributable to the owners of Firstwave Cloud Technology Limited		(5,066,543)	(4,654,811)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Firstwave Cloud Technology Limited		(5,066,543)	(4,654,811)
		Cents	**Cents**
Basic earnings per share	36	(2.82)	(3.81)
Diluted earnings per share	36	(2.82)	(3.81)

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

Firstwave Cloud Technology Limited
Statement of financial position
As at 30 June 2017

	Note	Consolidated 2017 $	Consolidated 2016 $
Assets			
Current assets			
Cash and cash equivalents	8	1,761,889	5,772,415
Trade and other receivables	9	3,207,903	2,658,799
Other	10	1,254,979	760,024
Total current assets		6,224,771	9,191,238
Non-current assets			
Property, plant and equipment	11	713,891	709,997
Intangibles	12	2,523,321	2,088,012
Deferred tax	13	1,124,130	611,576
Prepayments		1,323,551	430,492
Total non-current assets		5,684,893	3,840,077
Total assets		11,909,664	13,031,315
Liabilities			
Current liabilities			
Trade and other payables	14	2,844,001	1,900,750
Borrowings	15	200,237	293,398
Employee benefits	16	530,578	370,577
Other	17	1,250,690	563,884
Total current liabilities		4,825,506	3,128,609
Non-current liabilities			
Borrowings	18	87,139	286,701
Employee benefits	19	49,399	60,060
Provisions	20	152,649	152,649
Other	21	1,908,398	674,082
Total non-current liabilities		2,197,585	1,173,492
Total liabilities		7,023,091	4,302,101
Net assets		4,886,573	8,729,214
Equity			
Issued capital	22	15,773,846	15,773,846
Reserves	23	1,621,813	397,911
Accumulated losses		(12,509,086)	(7,442,543)
Total equity		4,886,573	8,729,214

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

Firstwave Cloud Technology Limited
Statement of changes in equity
For the year ended 30 June 2017

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2015	4,436,261	237,966	(2,787,732)	1,886,495
Loss after income tax benefit for the year	-	-	(4,654,811)	(4,654,811)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(4,654,811)	(4,654,811)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 22)	9,838,450	-	-	9,838,450
Shares to affect the deemed acquisition of Crestal Petroleum Limited (note 22)	1,499,135	-	-	1,499,135
Share-based payment expense	-	159,945	-	159,945
Balance at 30 June 2016	15,773,846	397,911	(7,442,543)	8,729,214

Consolidated	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 (note 37)	-	1,223,902	-	1,223,902
Balance at 30 June 2017	15,773,846	1,621,813	(12,509,086)	4,886,573

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

Firstwave Cloud Technology Limited
Statement of cash flows
For the year ended 30 June 2017

	Note	Consolidated 2017 $	Consolidated 2016 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		8,670,530	5,494,331
Payments to suppliers and employees (inclusive of GST)		(11,543,759)	(9,375,418)
Interest received		104,271	17,066
Other revenue		492,349	15,883
Interest and other finance costs paid		(32,573)	(126,481)
Income taxes refunded		-	209,000
Net cash used in operating activities	34	(2,309,182)	(3,765,619)
Cash flows from investing activities			
Payments for property, plant and equipment		(240,858)	(545,168)
Payments for intangibles		(1,214,073)	(866,897)
Payments for security deposits		-	(133,776)
Net of cash acquired on reverse acquisition		-	34,312
Proceeds from release of security deposits		46,310	-
Net cash used in investing activities		(1,408,621)	(1,511,529)
Cash flows from financing activities			
Proceeds from issue of shares		-	11,048,804
Share issue transaction costs		-	(579,000)
Proceeds from borrowings		-	248,215
Repayment of borrowings		(292,723)	(57,711)
Net cash from/(used in) financing activities		(292,723)	10,660,308
Net increase/(decrease) in cash and cash equivalents		(4,010,526)	5,383,160
Cash and cash equivalents at the beginning of the financial year		5,772,415	389,255
Cash and cash equivalents at the end of the financial year	8	1,761,889	5,772,415

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

Note 1. Significant accounting policies

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

New 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, 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 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 2017 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.

Note 1. Significant accounting policies (continued)

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.

Note 1. Significant accounting policies (continued)

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.

Note 1. Significant accounting policies (continued)

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.

Note 1. Significant accounting policies (continued)

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 5 to 7 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 5 to 7 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.

Note 1. Significant accounting policies (continued)

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 attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Provisions
Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on 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.

Note 1. Significant accounting policies (continued)

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.

Note 1. Significant accounting policies (continued)

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 2017. 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.

Note 1. Significant accounting policies (continued)

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 and is currently undertaking a comprehensive review of the implementation impacts of AASB 15. A determination as to the impact of the accounting standard has not yet been made as at the date of this report.

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.

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.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

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

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

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

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

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

Recovery of deferred tax assets
Deferred tax assets include an amount of $1,413,140 relating to carry forward tax losses of the consolidated entity for the years 2016 and 2017. The consolidated entity has incurred these losses over the last two years following a reverse acquisition and listing. These losses include one-off listing costs in FY 2016 that will not recur, and ongoing costs representing investment in platform capacity, sales and marketing and service delivery and engineering flowing through profit and loss, consistent with business strategy to expand the consolidated entity’s cloud content security ecosystem into public cloud providers, and international expansion. The consolidated entity has concluded that it is probable these deferred tax assets will be recoverable against estimated future taxable profits based on business plans approved by the Board of Directors for FY2018.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

The decision to recognise these deferred tax assets considered that existing legislation enables tax losses to be carried forward indefinitely with no expiry date, and the following:

- The consolidated entity's history of generating taxable profits up until FY 2016, when the consolidated entity made tax losses due to a listing event causing one-off losses.
- Delays in market deployment of distribution channel service offerings, causing costs relating to capacity build in anticipation of planned sales to flow into profit and loss, with corresponding 2 to 3 quarter delay in expected sales, resulting in tax losses in FY 2017 and the first 3 quarters of FY2018, before recovering to taxable income in the 3rd quarter of FY2018.
- Market deployment of new service offerings in Q2 FY2018, including a new public cloud deployment increasing the consolidated entity's market penetration.
- The private platform capacity of the consolidated entity's primary in market channel partner, and their significant market penetration.
- New international opportunities, such as a recent Memorandum of Understanding with an international telecommunications service provider and a number of international market opportunities, that have progressed beyond technical deep-dive with the expectation that one of these will commence revenue generation in Q4 FY2018.

Note 3. Operating segments

Identification of reportable operating segments

The consolidated entity operates in one segment being the development and sale of internet security software and located in Australia. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

The operating segment information is the same information as provided throughout the financial statements and are therefore not duplicated.

The information reported to the CODM is on a monthly basis.

Major customers

During the year ended 30 June 2017 there was one external customer (2016: one customer) where revenue exceeded 10% of the consolidated revenue. Total revenue from the customer for the year ended 30 June 2017 amounted to $6,134,627 (2016: $6,076,323).

Note 4. Revenue

	Consolidated	
	2017 $	2016 $
Licensing and support revenue	5,629,291	4,652,183
Professional services revenue	806,369	1,749,535
Total revenue	6,435,660	6,401,718

Note 5. Other income

	Consolidated 2017 $	Consolidated 2016 $
Research and development grant income*	492,349	215,883
Interest income	104,271	17,066
Other income	596,620	232,949

*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 2017 $	Consolidated 2016 $
Loss before income tax includes the following specific expenses:		
Cost of sales		
Cost of licenses	2,422,997	1,702,334
Depreciation		
Leasehold improvements	108,423	7,828
Furniture and fittings	2,059	1,070
Computer equipment	76,644	77,425
Computer platform	7,521	7,479
Total depreciation	194,647	93,802
Amortisation		
Capitalised development costs	762,710	573,502
Patents	16,054	12,535
Total amortisation	778,764	586,037
Total depreciation and amortisation	973,411	679,839
Listing expenses include the following:		
Share-based payment listing expense	-	1,582,198
Legal and professional expenses	-	1,350,300
Total listing expenses	-	2,932,498
Finance costs		
Interest and finance charges paid/payable	32,573	106,568
Net foreign exchange variance		
Net foreign exchange variance (included in cost of sales above)	(91,568)	(116,278)
Rental expense relating to operating leases		
Minimum lease payments	306,121	170,055
Employee benefit expenses		
Employee salaries and other benefits	7,970,052	5,094,541
Defined contribution superannuation expense	426,281	332,027
Share-based payments expenses	1,223,902	159,945
Total Employee benefit expenses	9,620,235	5,586,513

Note 7. Income tax benefit

	Consolidated 2017 $	Consolidated 2016 $
Income tax benefit		
Current tax	-	136,990
Deferred tax - origination and reversal of temporary differences	(512,554)	(639,252)
Aggregate income tax benefit	(512,554)	(502,262)
Deferred tax included in income tax benefit comprises:		
Increase in deferred tax assets (note 13)	(512,554)	(611,576)
Decrease in deferred tax liabilities	-	(27,676)
Deferred tax - origination and reversal of temporary differences	(512,554)	(639,252)
Numerical reconciliation of income tax benefit and tax at the statutory rate		
Loss before income tax benefit	(5,579,097)	(5,157,073)
Tax at the statutory tax rate of 27.5% (2016: 30%)	(1,534,252)	(1,547,122)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Amortisation of intangibles	209,626	171,888
Entertainment expenses	18,650	11,055
Listing expenses	-	424,822
Non-deductible research and development incentive expenditure	498,063	400,235
Development costs	(299,457)	(257,783)
Deferred income	(131,067)	(64,765)
Sundry items	-	27,055
	(1,238,437)	(834,615)
Current year tax losses not recognised	369,353	-
Current year temporary differences not recognised	356,530	332,353
Income tax benefit	(512,554)	(502,262)

Note 8. Current assets - cash and cash equivalents

	Consolidated 2017 $	Consolidated 2016 $
Cash on hand	-	1,000
Cash at bank	761,889	5,771,415
Cash on deposit	1,000,000	-
	1,761,889	5,772,415

Note 9. Current assets - trade and other receivables

	Consolidated 2017 $	Consolidated 2016 $
Trade receivables	2,198,049	1,545,268
Less: Provision for impairment of receivables	(22,206)	-
	2,175,843	1,545,268
Accrued revenue	564,683	855,881
Other receivables	245,857	36,130
Receivable from key management personnel	221,520	221,520
	3,207,903	2,658,799

Impairment of receivables
The consolidated entity has recognised a loss of $22,206 (2016: $nil) in profit or loss in respect of impairment of receivables for the year ended 30 June 2017.

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

	Consolidated 2017 $	Consolidated 2016 $
0 to 3 months overdue	5,082	-
3 to 6 months overdue	7,623	-
Over 6 months overdue	9,501	-
	22,206	-

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

	Consolidated 2017 $	Consolidated 2016 $
Additional provisions recognised	22,206	-

Customers with balances past due but without provision for impairment of receivables amount to $1,280 as at 30 June 2017 ($22,699 as at 30 June 2016).

	Consolidated 2017 $	Consolidated 2016 $
Over six months overdue	1,280	22,699

Note 10. Current assets - other

	Consolidated 2017 $	Consolidated 2016 $
Prepayments	1,120,753	579,488
Security deposits	133,776	180,086
Other deposits	450	450
	1,254,979	760,024

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

	Consolidated 2017 $	Consolidated 2016 $
Leasehold improvements - at cost	696,857	491,839
Less: Accumulated depreciation	(116,251)	(7,828)
	580,606	484,011
Furniture and fittings - at cost	16,592	15,488
Less: Accumulated depreciation	(12,217)	(10,157)
	4,375	5,331
Computer equipment - at cost	747,033	755,988
Less: Accumulated depreciation	(627,355)	(550,710)
	119,678	205,278
Computer platform - at cost	236,306	234,930
Less: Accumulated depreciation	(227,074)	(219,553)
	9,232	15,377
	713,891	709,997

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

Consolidated	Leasehold improvements $	Furniture and fittings $	Computer equipment $	Computer platform $	Total $
Balance at 1 July 2015	13,104	5,828	97,607	2,547	119,086
Additions	491,839	573	185,096	20,309	697,817
Write off of assets	(13,104)	-	-	-	(13,104)
Depreciation expense	(7,828)	(1,070)	(77,425)	(7,479)	(93,802)
Balance at 30 June 2016	484,011	5,331	205,278	15,377	709,997
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

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 2017 $	Consolidated 2016 $
Capitalised development costs - at cost	8,634,461	7,447,525
Less: Accumulated amortisation	(6,167,441)	(5,404,731)
	2,467,020	2,042,794
Patents - at cost	97,425	70,288
Less: Accumulated amortisation	(41,124)	(25,070)
	56,301	45,218
	2,523,321	2,088,012

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 2015	1,757,021	50,131	1,807,152
Additions	859,275	7,622	866,897
Amortisation expense	(573,502)	(12,535)	(586,037)
Balance at 30 June 2016	2,042,794	45,218	2,088,012
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

Note 13. Non-current assets - deferred tax

	Consolidated 2017 $	Consolidated 2016 $
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Tax losses	1,415,311	834,995
Provisions	249,788	252,486
Deferred income	199,455	166,755
Property, plant and equipment	16,572	(16,256)
Development costs	(756,996)	(626,404)
Deferred tax asset	1,124,130	611,576
Movements:		
Opening balance	611,576	-
Credited to profit or loss (note 7)	512,554	611,576
Closing balance	1,124,130	611,576

Note 14. Current liabilities - trade and other payables

	Consolidated 2017 $	Consolidated 2016 $
Trade payables	1,556,934	593,984
Accrued expenses	1,287,067	1,306,766
	2,844,001	1,900,750

Refer to note 25 for further information on financial instruments.

Note 15. Current liabilities - borrowings

	Consolidated 2017 $	Consolidated 2016 $
Insurance liability	-	98,710
Lease liability	200,237	194,688
	200,237	293,398

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 16. Current liabilities - employee benefits

	Consolidated 2017 $	Consolidated 2016 $
Annual leave	377,139	201,933
Long service leave	153,439	168,644
	530,578	370,577

Note 17. Current liabilities - other

	Consolidated 2017 $	Consolidated 2016 $
Deferred research and development income	211,047	183,214
Income received in advance	1,039,643	380,670
	1,250,690	563,884

Note 18. Non-current liabilities - borrowings

	Consolidated 2017 $	Consolidated 2016 $
Lease liability	87,139	286,701

Refer to note 25 for further information on financial instruments.

Note 18. Non-current liabilities - borrowings (continued)

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

	Consolidated 2017 $	Consolidated 2016 $
Lease liability	287,376	481,389

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 2017 $	Consolidated 2016 $
Total facilities		
NAB lease facility	300,000	300,000
Other lease facility	115,942	205,525
Corporate credit card facility	50,000	30,000
	465,942	535,525
Used at the reporting date		
NAB lease facility	171,435	275,864
Other lease facility	115,942	205,525
Corporate credit card facility	-	13,211
	287,377	494,600
Unused at the reporting date		
NAB lease facility	128,565	24,136
Other lease facility	-	-
Corporate credit card facility	50,000	16,789
	178,565	40,925

Note 19. Non-current liabilities - employee benefits

	Consolidated 2017 $	Consolidated 2016 $
Long service leave	49,399	60,060

Note 20. Non-current liabilities - provisions

	Consolidated 2017 $	Consolidated 2016 $
Lease make good	152,649	152,649

Note 20. Non-current liabilities - provisions (continued)

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 - 2017	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 2017 $	Consolidated 2016 $
Deferred research and development income	453,804	372,636
Income received in advance	1,454,594	301,446
	1,908,398	674,082

Note 22. Equity - issued capital

	Consolidated			
	2017 Shares	2016 Shares	2017 $	2016 $
Ordinary shares - fully paid	179,786,485	179,786,485	15,773,846	15,773,846

Movements in ordinary share capital

Details	Date	Shares	$
Balance	1 July 2015	83,030,252	4,436,261
Issue of shares	31 August 2015	3,125,000	500,000
Issue of shares	1 October 2015	1,243,750	199,000
Issue of shares	25 October 2015	2,565,625	410,500
Issue of shares	3 December 2015	1,725,000	276,000
Issue of shares	20 December 2015	715,625	114,500
Issue of shares on conversion of convertible notes	5 May 2016	8,996,989	647,126
Issue of shares on exercise of options	5 May 2016	3,692,000	221,520
Issue of shares on capital raising	5 May 2016	40,000,000	8,000,000
Issue of shares on exercise of options	5 May 2016	738,400	48,804
Share split 1.25 shares issued for 1 share held	5 May 2016	26,458,169	-
Share issue transaction costs, net of tax		-	(579,000)
Shares to affect the deemed acquisition of Crestal Petroleum Limited	5 May 2016	7,495,675	1,499,135
Balance	30 June 2016	179,786,485	15,773,846
Balance	30 June 2017	179,786,485	15,773,846

Note 22. Equity - issued capital (continued)

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

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

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

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

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

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

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

The capital risk management policy remains unchanged from the 30 June 2016 Annual Report.

Note 23. Equity - reserves

	Consolidated	
	2017 $	2016 $
Share-based payments reserve	1,621,813	397,911

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 2015	237,966
Share-based payment expense	159,945
Balance at 30 June 2016	397,911
Share-based payment expense	1,223,902
Balance at 30 June 2017	1,621,813

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 2017 owed the consolidated entity $2,139,367 (97% of trade receivables) (2016: $1,498,515 (97% of trade receivables)). This balance was within its terms of trade and no impairment was made as at 30 June 2017. 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.

Note 25. Financial instruments (continued)

Financing arrangements
Unused borrowing facilities at the reporting date:

	Consolidated 2017 $	Consolidated 2016 $
NAB lease facility	128,565	24,136
Corporate credit card facility	50,000	16,789
	178,565	40,925

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 - 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

Consolidated - 2016	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	593,984	-	-	-	593,984
Interest-bearing - fixed rate					
Lease liability	221,193	301,567	-	-	522,760
Insurance liability	98,710	-	-	-	98,710
Total non-derivatives	913,887	301,567	-	-	1,215,454

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	
	2017 $	2016 $
Audit services - Grant Thornton		
Audit or review of the financial statements	116,483	102,000
Other services - Grant Thornton		
Due diligence and investigating accountants' report in relation to prospectus	-	129,500
Tax advice	-	3,500
Advisory services	-	22,500
	-	155,500
	116,483	257,500

Note 28. Contingent liabilities

The consolidated entity has given bank guarantees as at 30 June 2017 of $133,776 (2016: $180,086) to various landlords.

Note 29. Commitments

	Consolidated	
	2017 $	2016 $
Capital commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment	-	304,500
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	292,497	244,798
One to five years	853,116	979,192
	1,145,613	1,223,990
Lease commitments - finance		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	212,503	221,193
One to five years	101,179	301,567
Total commitment	313,682	522,760
Less: Future finance charges	(26,306)	(41,371)
Net commitment recognised as liabilities	287,376	481,389
Representing:		
Lease liability - current (note 15)	200,237	194,688
Lease liability - non-current (note 18)	87,139	286,701
	287,376	481,389

Note 29. Commitments (continued)

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 $109,304 (30 June 2016: $220,952) 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	
	2017	2016
	$	$
Short-term employee benefits	1,070,140	1,071,928
Post-employment benefits	59,195	26,119
Long-term benefits	4,145	39,317
Share-based payments	952,819	123,607
	2,086,299	1,260,971

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	
	2017	2016
	$	$
Other income:		
Interest receivable from key management personnel	16,630	2,285

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Note 31. Related party transactions (continued)

Loans to/from related parties
The following balances are outstanding at the reporting date in relation to loans with related parties:

	Consolidated 2017 $	Consolidated 2016 $
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 2017 $	Parent 2016 $
Loss after income tax	(525,010)	(2,427,930)
Total comprehensive income	(525,010)	(2,427,930)

Statement of financial position

	Parent 2017 $	Parent 2016 $
Total current assets	75,981	207,414
Total assets	6,114,999	6,640,009
Total current liabilities	-	-
Total liabilities	-	-
Equity		
Issued capital	9,067,939	9,067,939
Accumulated losses	(2,952,940)	(2,427,930)
Total equity	6,114,999	6,640,009

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 2017 and 30 June 2016.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2017 and 30 June 2016.

Note 32. Parent entity information (continued)

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2017 and 30 June 2016.

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 subsidiary in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest 2017 %	Ownership interest 2016 %
First Wave Technology Pty Ltd	Australia	100%	100%

Note 34. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated 2017 $	Consolidated 2016 $
Loss after income tax benefit for the year	(5,066,543)	(4,654,811)
Adjustments for:		
Depreciation and amortisation	973,411	679,839
Write off of property, plant and equipment	42,317	13,104
Share-based payments - employees	1,223,902	159,945
Share-based payments - non-cash listing expenses	-	1,499,135
Change in operating assets and liabilities:		
Increase in trade and other receivables	(840,302)	(779,433)
Decrease in income tax refund due	-	145,990
Increase in deferred tax assets	(512,554)	-
Decrease/(increase) in accrued revenue	291,198	(611,576)
Increase in prepayments	(1,434,324)	(186,517)
Increase in trade and other payables	943,251	579,191
Decrease in deferred tax liabilities	-	(27,676)
Increase in employee benefits	149,340	101,082
Increase/(decrease) in other operating liabilities	1,921,122	(683,892)
Net cash used in operating activities	(2,309,182)	(3,765,619)

Note 35. Non-cash investing and financing activities

	Consolidated 2017 $	Consolidated 2016 $
Leasehold improvements - lease make good	-	152,649
Shares issued on conversion of convertible notes	-	647,126
Shares issued on non-recourse loan to key management personnel	-	221,520
Shares issued to effect deemed acquisition of Crestal Petroleum Limited	-	1,499,135
	-	2,520,430

Note 36. Earnings per share

	Consolidated 2017 $	Consolidated 2016 $
Loss after income tax attributable to the owners of Firstwave Cloud Technology Limited	(5,066,543)	(4,654,811)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	179,786,485	122,125,559
Weighted average number of ordinary shares used in calculating diluted earnings per share	179,786,485	122,125,559
	Cents	**Cents**
Basic earnings per share	(2.82)	(3.81)
Diluted earnings per share	(2.82)	(3.81)

21,530,000 options have been excluded in the weighted average number of shares used to calculate diluted earnings per share as they were anti-dilutive (2016: 22,070,000).

Note 37. Share-based payments

The consolidated entity has a share option plan to incentivise certain employees and key management personnel. The share-based payment expense for the year was $1,223,902 (2016: $159,945). 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.

Note 37. Share-based payments (continued)

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

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	$0.36	$0.32

Outstanding options vested and exercisable as at 30 June 2017: 7,240,000 (2016: Nil)

2016

Grant date	Expiry date	Exercise price*	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
30/12/2013	29/06/2016	$0.06	3,692,000	-	(3,692,000)	-	-
01/11/2011	01/01/2015	$0.06	276,900	-	(276,900)	-	-
01/11/2011	01/01/2015	$0.07	461,500	-	(461,500)	-	-
18/05/2016	19/05/2020	$0.30	-	800,000	-	-	800,000
18/05/2016	19/05/2020	$0.35	-	270,000	-	-	270,000
18/05/2016	19/05/2021	$0.30	-	800,000	-	-	800,000
18/05/2016	19/05/2021	$0.35	-	2,400,000	-	-	2,400,000
18/05/2016	19/05/2022	$0.40	-	4,000,000	-	-	4,000,000
18/05/2016	11/05/2022	$0.25	-	6,260,000	-	-	6,260,000
18/05/2016	11/05/2023	$0.25	-	1,460,000	-	-	1,460,000
18/05/2016	11/05/2023	$0.35	-	1,640,000	-	-	1,640,000
18/05/2016	11/05/2024	$0.25	-	2,000,000	-	-	2,000,000
18/05/2016	11/05/2024	$0.35	-	200,000	-	-	200,000
18/05/2016	11/05/2025	$0.35	-	800,000	-	-	800,000
18/05/2016	11/05/2024	$0.45	-	1,440,000	-	-	1,440,000
			4,430,400	22,070,000	(4,430,400)	-	22,070,000
Weighted average exercise price			$0.06	$0.32	$0.06	$0.00	$0.32

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

The weighted average share price during the financial year was $0.40 (2016: $0.26).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 5.34 years (2016: 6.29 years).

Note 38. Events after the reporting period

On 26 September 2017, the consolidated entity announced the resignation of Steven O'Brien, CEO and Managing Director, with effect from 3 October 2017.

No other matter or circumstance has arisen since 30 June 2017 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.

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 2017 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the directors

Alexander Kelton	Steven O'Brien
Chairman	Managing Director

28 September 2017

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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 2017, 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 2017 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 independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

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

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Revenue recognition
(Note 4)</td><td></td></tr>
<tr><td>Revenue of $6,435,660 has been recognised during the year ended 30 June 2017, and income received in advance of $2,494,237 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.</td><td>Our procedures included, amongst others:

• Assessing the revenue recognition policies for appropriateness and compliance with AASB 118 Revenues, 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; and
• Assessing the adequacy of related disclosures in the financial statements.</td></tr>
<tr><td>Capitalised product development costs
(Note 12)</td><td></td></tr>
<tr><td>Capitalised product development costs had a net carrying value of $2,467,020 at 30 June 2017.

During the year the Group capitalised $1,186,936 of project development costs. These intangible assets are being amortised over a 5 – 7 year period.

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.</td><td>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 2017;
• 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.</td></tr>
</table>

Key audit matter	How our audit addressed the key audit matter
Going concern ***(Note 1)***	
The Group made a loss of $5,066,543 for the year ended 30 June 2017 and has accumulated losses of $12,509,086 as at 30 June 2017. 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 • Assessing the adequacy of the related disclosures within the financial report.
Recovery of deferred tax assets **(*Notes 7 and 13*)**	
Australian Accounting Standards require deferred tax assets to be recognised only to the extent that it is probable that sufficient future taxable profits will be generated in order for the benefits of the deferred tax assets to be realised. These benefits are realised by reducing tax payable on future taxable profits. The Group recognised a net deferred tax asset of $1,124,130 at 30 June 2017, of which a gross amount of $1,415,311 arose from tax losses carried forward. This is a key audit matter due to the magnitude of the deferred tax assets recognised and the judgment involved in determining the recoverability of the tax assets.	Our audit procedures included, among others: • Reviewing the tax calculations prepared by the Group, including evaluating the key assumptions used by the Group to determine its tax provisions; • Evaluating the assessment of the recoverability of its deferred tax assets through the availability of future taxable income, including a critical assessment of the Group's 2018 and 2019 budgets; and • Assessing the adequacy of the related disclosures within the financial report.

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 2017, but does not include the financial report and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

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.

Grant Thornton

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 5 to 11 of the directors' report for the year ended 30 June 2017.

In our opinion, the remuneration report of Firstwave Cloud Technology Limited, for the year ended 30 June 2017, 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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

C F Farley
Partner - Audit & Assurance

Sydney, 28 September 2017

The shareholder information set out below is applicable as at 26 September 2017.

Distribution of equitable securities

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

	Number of holders of ordinary shares	Number of holders of options over ordinary shares
1 to 1,000	1,782	-
1,001 to 5,000	161	-
5,001 to 10,000	99	28
10,001 to 100,000	358	-
100,001 and over	232	7
	2,632	35
Holding less than a marketable parcel	1,825	-

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares Number held	% of total shares issued
MR GREG MAREN + MRS GERALDINE MAREN (MAREN SUPER FUND A/C)	16,365,598	9.10
MR SCOTT LIDGETT + MRS KATHERINE LIDGETT (LIDGETT SUPER FUND A/C)	16,084,036	8.95
MR EDWARD KEATING + MRS LINDA KEATING	6,438,047	3.58
MR RICHARD BESWICK	5,761,382	3.20
CS THIRD NOMINEES PTY LIMITED (HSBC CUST NOM AU LTD 13 A/C)	4,905,000	2.73
MR SIMON RYAN	4,615,000	2.57
WILLOW WATTLE PTY LTD (BESWICK CLATWORTHY S/F A/C)	3,963,789	2.20
WILLROTH PTY LTD (THE WILLROTH A/C)	3,640,284	2.02
MR SCOTT LIDGETT	3,570,811	1.99
SCOTT MCNEILAGE PTY LIMITED (MCNEILAGE SUPER FUND A/C)	2,293,684	1.28
IIWITI PTY LTD	2,135,000	1.19
MR GREG MAREN + MRS GERALDINE MAREN (MAREN FAMILY A/C)	2,036,034	1.13
QUINVILLE PTY LTD (THE SOMERSBY CAPITAL A/C)	1,984,998	1.10
MR MICHAEL GORDON OXLEY + MRS KATE NORTON OXLEY (OXLEY SUPER FUND A/C)	1,878,535	1.04
QUOTIDIAN NO 2 PTY LTD	1,810,487	1.01
WINTEN DEVELOPMENTS PTY LTD (ST LEONARDS UNIT A/C)	1,700,000	0.95
ROYSTON AND HARRISON PTY LTD (ROYSTON HARRISON S/F A/C)	1,648,213	0.92
MR MARTIN WILLIAM BARNES + MS ALEXIS ANN GEORGE	1,582,036	0.88
MR JAMES BROOMHEAD	1,560,000	0.87
CESSNOCK MOTORS PTY LTD	1,502,460	0.84
	85,475,394	47.55

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares	21,530,000	35

Substantial holders
Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Greg Maren + Geraldine Maren (Maren Superannuation Fund)	16,365,598	9.10
Scott Kelvin Lidgett & Katherine Gooch Lidgett (The Lidgett Superannuation Fund)	16,084,036	8.95

Voting rights
The voting rights attached to ordinary shares are set out below:

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

There are no other classes of equity securities.

Restricted securities

Class*	Expiry date	Number of shares
Ordinary shares	20 May 2018	54,262,938

*There are no shares subject to voluntary escrow.

Directors	Alexander Kelton - Non-Executive Chairman Steven O'Brien - CEO and Managing Director David Garnier - Non-Executive Director Edward Keating - Non-Executive Director Scott Lidgett - Non-Executive Director Paul Macrae - Non-Executive Director Simon Moore - Non-Executive Director
Company secretary	Justin Clyne
Registered office	Level 10, 132 Arthur Street North Sydney, NSW 2060 Australia Tel: +61 (02) 9409 7000
Share register	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
Stock exchange listing	Firstwave Cloud Technology Limited shares are listed on the Australian Securities Exchange (ASX code: FCT)
Website	http://www.firstwave.com.au
Corporate Governance Statement	The Corporate governance statement which will be approved at the same time as the Annual Report can be found at https://www.firstwavecloud.com/corporate-governance.html