

## 1. Company details

Name of entity:	Firstwave Cloud Technology Limited
ABN:	35 144 733 595
Reporting period:	For the half-year ended 31 December 2018
Previous period:	For the half-year ended 31 December 2017

## 2. Results for announcement to the market

The consolidated entity has adopted Accounting Standards AASB 9 'Financial Instruments' and AASB 15 'Revenue from Contracts with Customers' for the half-year ended 31 December 2018. The Accounting Standards were adopted from 1 July 2018 using transitional rules that allow for comparatives not be restated.

			\$
Revenues from ordinary activities	up	4.1% to	4,225,066
Loss from ordinary activities after tax attributable to the owners of Firstwave Cloud Technology Limited	up	118.9% to	(5,858,547)
Loss for the half-year attributable to the owners of Firstwave Cloud Technology Limited	up	118.9% to	(5,858,547)

### Dividends

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

### Comments

The loss for the consolidated entity after providing for income tax amounted to \$5,858,547 (31 December 2017: \$2,676,061).

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

## 3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(0.07)	1.72

## 4. Audit qualification or review

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

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

## 5. Attachments

### Details of attachments (if any):

The Interim Report of Firstwave Cloud Technology Limited for the half-year ended 31 December 2018 is attached.

6. Signed

A handwritten signature in blue ink, appearing to be 'S. Saba', with a long horizontal stroke extending to the right.

Signed \_\_\_\_\_

Sam Saba  
Chairman  
Sydney

Date: 27 February 2019

# **Firstwave Cloud Technology Limited**

**ABN 35 144 733 595**

**Interim Report - 31 December 2018**

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Firstwave Cloud Technology Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2018.

### **Directors**

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

Sam Saba - Chairman  
Scott Lidgett  
Paul Macrae  
Simon Moore  
Edward Keating (resigned on 13 July 2018)  
Alexander Kelton (resigned on 6 November 2018)

### **Principal activities**

During the financial half-year, the principal continuing activities of the consolidated entity comprise of development and sale of internet security software.

### **Review of operations**

#### *Profit or loss performance*

The consolidated entity's revenue for the financial half-year was \$4,225,066, which represents growth of 4.1% over the prior comparative period ('PCP'). Licensing and support revenue increased by 10%. Professional services revenue was \$124,882, representing a ratio of 3% to licensing and support revenue.

Earnings before interest, tax depreciation and amortisation ('EBITDA') was a loss of \$5,247,676. The segmental EBITDA underlying the Australia segment improved to \$316,189 compared with \$65,530 against PCP. Strategic expenditure on the international expansion increased to \$2,125,422 from \$711,400 in the PCP. Corporate services expenditure increased to \$3,438,443 from \$1,589,496 in the PCP, partially due to the reclassification of product expenditure previously recorded in the Australia segment. Increase in expenditure in International and Corporate services are mainly attributed to building out the following areas: business development, legal, finance, marketing and risk and assurance.

The consolidated entity's loss after income tax amounted to \$5,858,547 (31 December 2017: loss of \$2,676,061). The consolidated entity expects to continue its strategic expenditure that will manifest in after tax losses for the next 6 months.

A reconciliation of EBITDA to statutory loss is detailed in note 2 to the financial statements.

#### *Statement of financial position*

Cash and cash equivalents decreased by \$2,597,332 over prior year end balance of \$5,782,873. Of this decrease of cash and cash equivalents, \$4,984,507 represented cash outflows from operating activities of which \$4,089,802 related to strategic execution of business expansion. Net cash used in investing activities was \$966,443, reflecting continued investment on development of core projects. During the financial half-year the company raised additional capital of \$3,409,976, net of expenses.

The directors determined that the use of the going concern basis of accounting is appropriate in preparing the financial statements. The assessment of going concern is based on cash flow projections for at least 12 months from approval of the financial statements. The preparation of these projections incorporates several assumptions and judgements, and the directors have concluded that the range of possible outcomes considered in arriving at this judgement does not give rise to a material uncertainty casting significant doubt on the consolidated entity's ability to continue as a going concern.

The consolidated entity's priorities for the next 6 months are as follows:

1. Continue investment into its core technology adding additional security products to the current portfolio; and
2. Realise revenues from recently signed partnership, reseller and original equipment manufacturer ('OEM') agreements.

### **Significant changes in the state of affairs**

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

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

**Matters subsequent to the end of the financial half-year**

As part of the company's "Expand" phase of its three-phase "Enable, Expand, Scale" strategy, the consolidated entity has progressed with the following operational milestones since the reporting date:

1. Signed a reseller partnership with SHELТ Global Ltd, a leading cyber-security managed service provider in the Middle East and Africa with first customer proof of value commenced in February 2019; and
2. Signed agreement with global system integrator, NTT DATA United Kingdom to on-sell the consolidated entity's cloud security solutions to its enterprise, public sector and telecommunications service provider customers in United Kingdom, Europe, United States of America, Canada, India and Asia Pacific.

No other matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**Auditor's independence declaration**

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

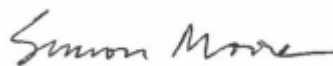
This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



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Sam Saba  
Chairman



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Simon Moore  
Director

27 February 2019

## Auditor's Independence Declaration


### To the Directors of Firstwave Cloud Technology Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Firstwave Cloud Technology Limited for the half-year ended 31 December 2018. I declare that, to the best of my knowledge and belief, there have been:

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



Grant Thornton Audit Pty Ltd  
Chartered Accountants



C F Farley  
Partner – Audit & Assurance

Sydney, 27 February 2019

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## Firstwave Cloud Technology Limited

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### General information

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

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

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

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 27 February 2019. The directors have the power to amend and reissue the financial statements.

**Firstwave Cloud Technology Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the half-year ended 31 December 2018**

		<b>Consolidated</b>	
	<b>Note</b>	<b>31 Dec 2018</b>	<b>31 Dec 2017</b>
		<b>\$</b>	<b>\$</b>
<b>Revenue</b>			
Sales revenue	3	4,225,066	4,056,727
Cost of sales		(2,008,396)	(1,788,997)
Gross profit		2,216,670	2,267,730
Other income	4	452,081	441,118
Interest revenue calculated using the effective interest method		29,352	27,815
<b>Expenses</b>			
Sales and marketing		(3,524,739)	(1,644,329)
Engineering and development		(1,765,121)	(1,876,711)
General and administration		(3,244,055)	(1,936,139)
Finance costs		(11,737)	(13,925)
Total expenses		(8,545,652)	(5,471,104)
<b>Loss before income tax benefit/(expense)</b>		(5,847,549)	(2,734,441)
Income tax benefit/(expense)		(10,998)	58,380
<b>Loss after income tax benefit/(expense) for the half-year attributable to the owners of Firstwave Cloud Technology Limited</b>		(5,858,547)	(2,676,061)
Other comprehensive income for the half-year, net of tax		-	-
<b>Total comprehensive income for the half-year attributable to the owners of Firstwave Cloud Technology Limited</b>		<b>(5,858,547)</b>	<b>(2,676,061)</b>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	13	(2.56)	(1.43)
Diluted earnings per share	13	(2.56)	(1.43)

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



**Firstwave Cloud Technology Limited**  
**Statement of financial position**  
**As at 31 December 2018**

		<b>Consolidated</b>	
	<b>Note</b>	<b>31 Dec 2018</b>	<b>30 Jun 2018</b>
		<b>\$</b>	<b>\$</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		3,185,541	5,782,873
Trade and other receivables	5	1,842,192	2,270,819
Contract assets		38,284	-
Other		1,332,140	1,285,574
Total current assets		<u>6,398,157</u>	<u>9,339,266</u>
<b>Non-current assets</b>			
Property, plant and equipment		479,840	599,761
Intangibles	6	3,589,949	3,121,073
Prepayments		727,377	614,111
Total non-current assets		<u>4,797,166</u>	<u>4,334,945</u>
<b>Total assets</b>		<u>11,195,323</u>	<u>13,674,211</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		2,770,493	2,862,311
Contract liabilities	7	1,750,161	-
Borrowings		106,694	87,139
Employee benefits		676,947	661,550
Other	8	385,687	2,132,531
Total current liabilities		<u>5,689,982</u>	<u>5,743,531</u>
<b>Non-current liabilities</b>			
Contract liabilities		944,713	-
Deferred tax		10,998	-
Employee benefits		86,405	71,866
Provisions		152,649	152,649
Other	9	902,894	1,969,912
Total non-current liabilities		<u>2,097,659</u>	<u>2,194,427</u>
<b>Total liabilities</b>		<u>7,787,641</u>	<u>7,937,958</u>
<b>Net assets</b>		<u>3,407,682</u>	<u>5,736,253</u>
<b>Equity</b>			
Issued capital	10	28,641,645	25,231,669
Reserves		1,851,056	1,731,056
Accumulated losses		<u>(27,085,019)</u>	<u>(21,226,472)</u>
<b>Total equity</b>		<u>3,407,682</u>	<u>5,736,253</u>

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

**Firstwave Cloud Technology Limited**  
**Statement of changes in equity**  
**For the half-year ended 31 December 2018**

<b>Consolidated</b>	<b>Issued capital \$</b>	<b>Reserves \$</b>	<b>Accumulated losses \$</b>	<b>Total equity \$</b>
Balance at 1 July 2017	15,773,846	1,621,813	(12,509,086)	4,886,573
Loss after income tax benefit for the half-year	-	-	(2,676,061)	(2,676,061)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(2,676,061)	(2,676,061)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	4,062,900	-	-	4,062,900
Share-based payment expense	-	48,005	-	48,005
Balance at 31 December 2017	<u>19,836,746</u>	<u>1,669,818</u>	<u>(15,185,147)</u>	<u>6,321,417</u>
<b>Consolidated</b>	<b>Issued capital \$</b>	<b>Reserves \$</b>	<b>Accumulated losses \$</b>	<b>Total equity \$</b>
Balance at 1 July 2018	25,231,669	1,731,056	(21,226,472)	5,736,253
Loss after income tax expense for the half-year	-	-	(5,858,547)	(5,858,547)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(5,858,547)	(5,858,547)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 10)	3,409,976	-	-	3,409,976
Share-based payment expense	-	120,000	-	120,000
Balance at 31 December 2018	<u>28,641,645</u>	<u>1,851,056</u>	<u>(27,085,019)</u>	<u>3,407,682</u>

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

**Firstwave Cloud Technology Limited**  
**Statement of cash flows**  
**For the half-year ended 31 December 2018**

		<b>Consolidated</b>	
	<b>Note</b>	<b>31 Dec 2018</b>	<b>31 Dec 2017</b>
		<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		4,404,055	6,433,806
Payments to suppliers and employees (inclusive of GST)		(10,294,730)	(7,342,401)
Interest received		23,316	27,815
Interest and other finance costs paid		(11,737)	(13,925)
Receipts from government grants		894,589	-
Net cash used in operating activities		(4,984,507)	(894,705)
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(22,432)	(20,371)
Payments for intangibles	6	(944,011)	(748,049)
Net cash used in investing activities		(966,443)	(768,420)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	10	3,654,000	4,350,000
Share issue transaction costs	10	(244,024)	(287,100)
Repayment of borrowings		(56,358)	(80,800)
Net cash from financing activities		3,353,618	3,982,100
Net increase/(decrease) in cash and cash equivalents		(2,597,332)	2,318,975
Cash and cash equivalents at the beginning of the financial half-year		5,782,873	1,761,889
Cash and cash equivalents at the end of the financial half-year		<u>3,185,541</u>	<u>4,080,864</u>

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

## **Note 1. Significant accounting policies**

These general purpose financial statements for the interim half-year reporting period ended 31 December 2018 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001

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

### **New or amended Accounting Standards and Interpretations adopted**

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

#### *AASB 9 Financial Instruments*

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

#### *AASB 15 Revenue from Contracts with Customers*

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

#### *Impact of adoption*

The Group has adopted Accounting Standards AASB 9 and AASB 15 for the half-year ended 31 December 2018. The Accounting Standards were adopted from 1 July 2018 using transitional rules that allow for comparatives not be restated.

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

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

The adoption of AASB 9 and AASB 15 did not result in any change to the opening net assets or the opening retained earnings as at 1 July 2018.

## **Note 1. Significant accounting policies (continued)**

### **Revenue recognition**

The consolidated entity recognises revenue as follows:

#### *Revenue from contracts with customers*

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

#### *Licensing and support revenue*

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

#### *Professional services revenue*

Fully managed services are recognised overtime 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.

#### *Other revenue*

Other revenue is recognised when it is received or when the right to receive payment is established.

### **Government grants**

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

### **Trade and other receivables**

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

## Note 1. Significant accounting policies (continued)

### Contract assets

Contract assets are recognised when the consolidated entity has transferred goods or services to the customer but where the consolidated entity is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes.

### Contract liabilities

Contract liabilities represent the consolidated entity's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the consolidated entity recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the consolidated entity has transferred the goods or services to the customer.

## Note 2. Operating segments

### Identification of reportable operating segments

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

### Types of products and services

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

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

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

The CODM does not review segment assets and liabilities.

### Operating segment information

	Australia	International	Corporate services	Total
	\$	\$	\$	\$
<b>Consolidated - 31 Dec 2018</b>				
<b>Revenue</b>				
Sales to external customers	4,220,503	4,563	-	4,225,066
<b>Total revenue</b>	<u>4,220,503</u>	<u>4,563</u>	<u>-</u>	<u>4,225,066</u>
<b>EBITDA</b>	<u>316,189</u>	<u>(2,125,422)</u>	<u>(3,438,443)</u>	<u>(5,247,676)</u>
Depreciation and amortisation				(617,488)
Interest revenue				29,352
Finance costs				(11,737)
<b>Loss before income tax expense</b>				<u>(5,847,549)</u>
Income tax expense				(10,998)
<b>Loss after income tax expense</b>				<u>(5,858,547)</u>

**Note 2. Operating segments (continued)**

	Australia	International	Corporate services	Total
	\$	\$	\$	\$
<b>Consolidated - 31 Dec 2017</b>				
<b>Revenue</b>				
Sales to external customers	4,056,727	-	-	4,056,727
<b>Total revenue</b>	<u>4,056,727</u>	<u>-</u>	<u>-</u>	<u>4,056,727</u>
<b>EBITDA</b>	65,530	(711,400)	(1,589,496)	(2,235,366)
Depreciation and amortisation				(512,965)
Interest revenue				27,815
Finance costs				(13,925)
<b>Loss before income tax benefit</b>				(2,734,441)
Income tax benefit				58,380
<b>Loss after income tax benefit</b>				<u>(2,676,061)</u>

**Note 3. Revenue**

	<b>Consolidated</b> <b>31 Dec 2018</b>	<b>31 Dec 2017</b>
	\$	\$
<b>Revenue from contracts with customers</b>		
Licensing and support revenue	4,100,184	3,726,985
Professional services revenue	124,882	329,742
<b>Total revenue</b>	<u>4,225,066</u>	<u>4,056,727</u>

*Disaggregation of revenue*

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

	<b>Consolidated</b> <b>31 Dec 2018</b>	<b>31 Dec 2017</b>
	\$	\$
<i>Timing of revenue recognition</i>		
Licensing: over time	2,281,342	2,314,476
Support: over time	1,818,842	1,412,509
Professional services: point in time	124,882	329,742
	<u>4,225,066</u>	<u>4,056,727</u>

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

**Note 4. Other income**

	<b>Consolidated</b> <b>31 Dec 2018</b>	<b>31 Dec 2017</b>
	\$	\$
Research and development grant income	450,000	441,118
Other	2,081	-
<b>Other income</b>	<u>452,081</u>	<u>441,118</u>

**Note 5. Current assets - trade and other receivables**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>31 Dec 2018</b>	<b>30 Jun 2018</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	1,438,406	1,706,880
Less: Allowance for expected credit losses	(22,206)	(22,206)
	<u>1,416,200</u>	<u>1,684,674</u>
Accrued revenue	-	45,248
Other receivables	204,472	319,377
Receivable from key management personnel	221,520	221,520
	<u>1,842,192</u>	<u>2,270,819</u>

**Note 6. Non-current assets - intangibles**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>31 Dec 2018</b>	<b>30 Jun 2018</b>
	<b>\$</b>	<b>\$</b>
Capitalised development costs - at cost	11,104,845	10,168,100
Less: Accumulated amortisation	(7,568,047)	(7,105,483)
	<u>3,536,798</u>	<u>3,062,617</u>
Patents - at cost	129,154	121,888
Less: Accumulated amortisation	(76,003)	(63,432)
	<u>53,151</u>	<u>58,456</u>
	<u>3,589,949</u>	<u>3,121,073</u>

*Reconciliations*

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

	<b>Capitalised development costs</b>	<b>Patents</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Consolidated</b>			
Balance at 1 July 2018	3,062,617	58,456	3,121,073
Additions	936,745	7,266	944,011
Amortisation expense	(462,564)	(12,571)	(475,135)
Balance at 31 December 2018	<u>3,536,798</u>	<u>53,151</u>	<u>3,589,949</u>

**Note 7. Current liabilities - contract liabilities**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>31 Dec 2018</b>	<b>30 Jun 2018</b>
	<b>\$</b>	<b>\$</b>
Contract liabilities	<u>1,750,161</u>	<u>-</u>



**Note 7. Current liabilities - contract liabilities (continued)**

*Reconciliation*

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

	<b>Consolidated 31 Dec 2018 \$</b>
Recognised on adoption of AASB 15 on 1 July 2018	3,258,451
Payments received in advance	481,091
Transfer to revenue - included in the opening balance	(984,700)
Transfer to revenue - other balances	(59,968)
	<u>2,694,874</u>
Balance at 31 December 2018	<u>2,694,874</u>
	<b>Consolidated 31 Dec 2018</b>
Current	1,750,161
Non-current	944,713
	<u>2,694,874</u>
Balance at 31 December 2018	<u>2,694,874</u>

**Note 8. Current liabilities - other**

	<b>Consolidated 31 Dec 2018 \$</b>	<b>30 Jun 2018 \$</b>
Deferred research and development income	385,687	256,633
Income received in advance	-	1,875,898
	<u>385,687</u>	<u>2,132,531</u>

**Note 9. Non-current liabilities - other**

	<b>Consolidated 31 Dec 2018 \$</b>	<b>30 Jun 2018 \$</b>
Deferred research and development income	902,894	587,359
Income received in advance	-	1,382,553
	<u>902,894</u>	<u>1,969,912</u>

**Note 10. Equity - issued capital**

	31 Dec 2018 Shares	30 Jun 2018 Shares	Consolidated 31 Dec 2018 \$	30 Jun 2018 \$
Ordinary shares - fully paid	<u>250,134,347</u>	<u>224,733,105</u>	<u>28,641,645</u>	<u>25,231,669</u>

*Movements in ordinary share capital*

Details	Date	Shares	\$
Balance	1 July 2018	224,733,105	25,231,669
Issue of shares	9 November 2018	1,086,957	250,000
Issue of shares	6 December 2018	24,314,285	3,404,000
Share issue transaction costs, net of tax		-	(244,024)
Balance	31 December 2018	<u>250,134,347</u>	<u>28,641,645</u>

**Note 11. Equity - dividends**

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

**Note 12. 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 13. Earnings per share**

	Consolidated 31 Dec 2018 \$	31 Dec 2017 \$
Loss after income tax attributable to the owners of Firstwave Cloud Technology Limited	<u>(5,858,547)</u>	<u>(2,676,061)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>228,481,911</u>	<u>187,308,720</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>228,481,911</u>	<u>187,308,720</u>
	Cents	Cents
Basic earnings per share	(2.56)	(1.43)
Diluted earnings per share	(2.56)	(1.43)

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

**Note 14. Events after the reporting period**

As part of the company's "Expand" phase of its three-phase "Enable, Expand, Scale" strategy, the consolidated entity has progressed with the following operational milestones since the reporting date:

1. Signed a reseller partnership with SHELTL Global Ltd, a leading cyber-security managed service provider in the Middle East and Africa with first customer proof of value commenced in February 2019; and
2. Signed agreement with global system integrator, NTT DATA United Kingdom to on-sell the consolidated entity's cloud security solutions to its enterprise, public sector and telecommunications service provider customers in United Kingdom, Europe, United States of America, Canada, India and Asia Pacific.

No other matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**Firstwave Cloud Technology Limited**  
**Directors' declaration**  
**31 December 2018**

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

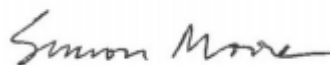
Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



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Sam Saba  
Chairman



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Simon Moore  
Director

27 February 2019

# Independent Auditor's Review Report

## To the Members of Firstwave Cloud Technology Limited

### Report on the review of the half year financial report

#### Conclusion

We have reviewed the accompanying half year financial report of Firstwave Cloud Technology Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Firstwave Cloud Technology Limited does not give a true and fair view of the financial position of the Group as at 31 December 2018, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

#### Directors' responsibility for the half year financial report

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

#### Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations*

*Regulations 2001*. As the auditor of Firstwave Cloud Technology Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### Independence

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



Grant Thornton Audit Pty Ltd  
Chartered Accountants



C F Farley  
Partner – Audit & Assurance

Sydney, 27 February 2019