

**FirstWave**

**2023  
ANNUAL  
REPORT**

**Annual Report**

*For the Year Ended 30 June 2023*

Firstwave Cloud Technology Limited

ABN 35 144 733 595

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# Chair's Letter

2023 was a year in which your Company changed considerably following the acquisition of Opmantek Ltd in January 2022.

Under a refreshed strategy articulated by our CEO, Danny Maher, the Company's efforts were focused on the key geographic markets of Australia, the US and LATAM, its most profitable products in network management (NMIS), cybersecurity (CyberCision) email, and reaching our interim goal of reducing cash usage to under \$500,000 per month coming into the FY24 year.

Over the course of the year, we considerably strengthened the capacity and capability of the sales and marketing team, redirected development resources to our network management platform (as it became clear the sales pipeline was increasingly network management focused in North and Latin America), and reduced cost and increased efficiency where we could in other parts of the business.

By year end, we achieved our internal revenue, gross margin, expense and cash usage targets. However, with our revenue underpinned by a range of one-off sales we missed our internal annualised recurring revenue (ARR) target, which is critical to our goal to be cash flow positive in FY25.

## Key announcements

- In July, a 5-year contract for network monitoring using NMIS with Macquarie Cloud Services, part of the Macquarie Telecom Group.
- In September, our 'One Brand Strategy' bringing together all your Company's software intellectual property to provide integrated solutions for network discovery, management and cybersecurity for enterprises, managed services providers and telecommunications carriers globally. This was accompanied by a new website [www.firstwave.com](http://www.firstwave.com) providing a range of integrated (back-end) marketing automation tools to accelerate lead generation and sales conversion.

- In October, finalisation of a commercial agreement with a large partner in Australia to launch a secure, sovereign, ISM compliant email platform for Australian Government and large enterprises, and the appointment of a new North American based Sales Director, James Morzelewski.
- In November, the appointment of Dino Davanzo to the position of Chief Revenue Officer, bringing over 35 years of experience in vendor and systems integrator sales leadership roles with companies such as Hewlett Packard Enterprise, Optus, Dell and NetApp.
- In December, an investment by Claro DR, the largest telco in the Dominican Republic, into the next generation of our NMIS Monitoring suite, Version 9.4.
- In April, an upgrade to CyberCision incorporating: cutting-edge technology, acquired as part of the Opmantek acquisition; a new layer of enterprise level threat intelligence feeds from Cisco Talos Intelligence Group, one of the largest commercial threat intelligence providers in the world; and significant improvement in the platform's 'trace and threat hunting' capability.
- Also in April, the extension and doubling of our contract for NMIS with NASA, and extended contracts for NMIS with John Deere and the Canadian Imperial Bank of Commerce.
- In our FY23 Q4 update in July, renewal of a significant contract for CyberCision email with a large Australian Government client through an Australian partner, a new contract for NMIS with a US Government agency through a US partner, and consolidation of all international and Australian partner sourced CyberCision users to our CyberCision platforms in Mumbai and Sydney.
- Throughout all quarterly updates to shareholders, we indicated that, subject to good cost controls and expected revenue growth, we continued to track toward cash flow break-even in FY25.

## Outlook

In my report to shareholders last year, I stated that the FY23 year shows “more promise for revenue growth at higher margins and lower costs than any in the past. The challenge for the management team under Danny Maher is to realise this promise”. This statement was relevant then and remains so now. The pipeline growth is being driven by NMIS, which is proving to be truly world class in competitive terms. Offsetting this, and while we are not losing any sales, conversion of the pipeline to revenue has proven to take longer than expected. Forecasts of economic ‘headwinds’, particularly in the US and LATAM where our major opportunity lies, play into decision making and has extended the purchasing cycle for major companies with whom we can apply little ‘sales pressure’.

On balance, we remain confident of achieving the sales targets that will support reaching our goal of cash flow break-even, but note, it is not without risk. We will continue to keep shareholders fully informed as we progress through the current financial year.

The directors and management team will continue to apply the Company’s resources in a way we believe is in the Company’s and shareholders’ best interests and, once again, we give our sincere thanks to all shareholders for their continued support for the Company.

My sincere thanks also go to our full team who continue to deliver to their best ability under continued pressure – FirstWave remains a very hard-working Company – and to my fellow directors for their commitment, contribution and support during the year.

Kind regards



John Grant  
Chair

# CEO's Letter

2023 was my first full financial year as CEO of the Company. Our success during the year was built upon the transformational acquisition of Opmantek in January 2022, which saw me joining FirstWave, along with the addition of substantial IP, shareholders and revenues. I remain a major shareholder in FirstWave and am excited about our future. We have transformed the Company and have significant opportunities to grow our revenues under a refined operational structure.

## Strategic Direction

Our goal is to increase shareholder returns.

Since February 2022, we have operated under three key strategic principles:

1. Have a sales-led culture
2. Grow faster
3. Be capital efficient

Off the back of these three strategic objectives, a full strategic plan was developed shaping how we approached and delivered the 2023 financial year.

We made several key announcements during the year, resulting in a significantly changed company compared to the previous year. In line with our strategic principles, we saw the commencement of a new Chief Revenue Officer, the recruitment of a number of key sales and marketing staff, the signing of several new customers, the launch of a single brand strategy and new website, the extension and expansion of key customer agreements and the always difficult task of restructuring and refining our capital investments.

## Financial Results

I was pleased with the reduction in the Company's operating losses, which reduced by 57% (excluding a non-cash impairment) from \$13.46 million to \$5.86 million and put us on track to our goal of being cash flow positive by next financial year. Incredibly, our revenues grew at a time when our operational expenditure decreased.

Our revenues grew 34% (to \$12.49 million), gross profit was up 56% (to \$9.63 million) and our expenses (excluding impairment expense) fell 14% (to \$18.13 million) over the same period. Growing our revenues while reducing our expenses in line with our strategic plan was the key to reducing our net cash usage from operating activities and payments for intangibles by 58% from \$11.09 million in FY22 to \$4.66 million for FY23. Overall, we had a strong financial year, which everyone in the business can be proud of – it is worth noting that, in particular, due to the acquisition of Opmantek in FY22, year on year comparisons have several nuances and shareholders are encouraged to understand the financials in full.

## Outlook

The Company enters the new financial year with an excellent pipeline, and a business that is more manageable and more stable than it has been in the past. I feel that we are well-positioned for success. Our goal is to be cash flow positive in FY25, and we are on track to achieve that goal if we deliver on our sales targets.

We are managing our cash prudently while investing in growth, with a strong pipeline of new revenue opportunities.

Our focus and challenge continues to be the conversion of the pipeline to deliver clients that provide ongoing growth – commercial relationships that grow over time and underpin our future growth. We have had some success over the past financial year but must reach another level for the coming year. I believe we have the people and the pipeline to do it.

We have diversified revenues, both geographically and from a product perspective, which de-risks the business, and, as a listed company, we have levers we can pull should timing delays impact on reaching our sales targets. We also have the opportunity to greatly exceed our sales targets based on the pipeline in front of us, and there remains a “blue sky” opportunity in addition to the results we expect over the next year.

As a software provider in the cybersecurity and network management sectors, FirstWave is part of an exciting and growing space. We have exceptional clients and an excellent pipeline created off the back of industry-leading products. Our revenues and margins are growing, our cash usage is decreasing and the business continues to strengthen.

I am a happy, optimistic MD and shareholder, and I look forward to the next financial year.

Kind regards



Danny Maher  
Managing Director and Chief Executive Officer

# Directors' report

30 June 2023

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or 'FirstWave') 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 2023.

## 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:

John Grant – Non-Executive Chair  
Danny Maher – Managing Director  
Paul MacRae – Non-Executive Director  
Euh (David) Hwang – Non-Executive Director  
Ray Kiley – Non-Executive Director

## Principal activities

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

## Dividends

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

## Review of operations

FirstWave creates intelligent IT Operations and Cybersecurity software for service provider partners and end-customers, and offers it as both 'freemium' and chargeable products. This software is used globally by over 150,000 organizations including household names like Microsoft and NASA.

During the Financial Year 2023 ('FY23') FirstWave:

- Launched a refreshed marketing strategy together with a new brand following the integration of Opmantek. The Opmantek brand began being phased out from 15 September 2022. All products and services previously offered under the Opmantek brand are now consolidated under the FirstWave brand.
- Implemented the one brand strategy that aligns to the company's new strategic focus on providing integrated solutions for network discovery, monitoring and security for enterprises, managed service providers (MSPs), and telecommunications carriers globally.
- Launched a new website, [www.firstwave.com](http://www.firstwave.com), that provides an extensive range of integrated, back-end marketing automation tools to accelerate lead generation and sales conversion, and will be accompanied, over time, by further improvements to the 'look and feel' of the website's front end.
- Continued to invest in its sales and marketing team with two senior appointments:
  - (i) Mr James Morzelewski was appointed as Sales Director, North America on 26 September 2022, to focus on converting the strong pipeline in the North America region into revenue; and
  - (ii) Mr Dino Davanzo joined the company on 2 November 2022 as the new Chief Revenue Officer ('CRO') based in Sydney, replacing Craig Nelson the previous CRO. Mr Davanzo is one of the Company's key management personnel ('KMP'). The appointment of an Australian based CRO added executive strength to drive the Telstra relationship forward and provide global leadership as part of the key executive team in Australia.

- Built a sovereign email platform in Australia to comply with the “information security manual” as defined by the Australian Cyber Security Centre’s Information Security Manual (‘ISM’). It is anticipated the platform will be launched to the Australian government and large enterprise market in Q1 FY24.
- Continued to focus on growing revenues faster while being capital efficient. This resulted in cash used in FY23 being 54% less than was used in FY22 (excluding capital raises). These savings were the result of many initiatives including rationalisation of the cloud platforms that are deployed to support CyberCision, and streamlining partner programs to focus on those partners and customers that represent the greatest commercial opportunity.
- FirstWave focused geographically on USA, LATAM and Australia while continuing to engage with service providers from anywhere in the world where it makes commercial sense.
- From a product perspective, spearheaded its sales effort with CyberCision email protection and NMIS.

The Opmantek Ltd acquisition was completed on 14 January 2022 hence the prior comparative period does not include the results of Opmantek Ltd for the first half of the prior financial year.

## Financial review

### *Profit or loss performance*

FirstWave’s revenue for the year was \$12,492,797 (2022: \$9,351,497), which represents an increase of 33.6% over the prior comparative period (‘PCP’), noting however that the prior year included revenue from the acquisition of Opmantek only for the period from 14 January 2022 to 30 June 2022 (\$1,999,207) rather than for the full year as is the case for FY23. Taking this into account, revenue growth year on year approximates 10% with this primarily made up of NMIS revenue growth.

There was an impairment to the CyberCision capitalised intangible asset of \$7,591,178, the loss excluding this impairment was \$5,857,107 which is a 56.5% improvement over the loss in the prior year. The loss for the consolidated entity including the impairment and after providing for income tax showed a decreased loss from the prior year of \$7,209 at an amount of \$13,448,285 (2022: \$13,455,494).

The decreased loss is attributable to the improved focus on the entity’s most profitable products, cost rationalisation and synergies from the Opmantek Ltd acquisition that was completed on 14 January 2022 and lower transaction costs, \$99,113 (2022: \$2,173,410).

This decreased loss is against the prior financial year loss that only includes Opmantek Ltd’s losses from the date of acquisition being 14 January 2022.

There were several new clients wins in the period including; L3Harris, Arizona College of Nursing and Raytheon in North America all of which licensed FirstWave’s network monitoring products.

A number of existing network monitoring clients increased the number of devices under their licence agreements including NASA in North America, which agreed to an extension and expansion of their network monitoring licence to support the Artemis ([www.nasa.gov/specials/artemis/](http://www.nasa.gov/specials/artemis/)) missions.

Dominican Republic’s telecommunication organisation, Claro, committed to licencing the recently released NMIS 9.4 suite of products with the agreement including US\$280,000 in up-front fees.

Mexico’s largest telecommunications provider, Telmex, extended their agreement with FirstWave for a further 12 months, in a renewal worth approximately US\$300,000 in annual revenues.

### *Statement of financial position*

Cash and cash equivalents decreased by \$4,801,170 which was largely due to net cash outflows of \$2,909,358 relating to further investment into FirstWave’s technology platform, and \$1,755,481 to support operating activities. Net cash used in operating activities was lower than PCP by \$6,248,090 (67%) and is attributable to significantly lower one-off transaction costs of \$40,756 (2022: \$2,717,781), the improved focus on the entity’s most profitable products, cost rationalisation, and synergies from the Opmantek Ltd acquisition. Cash receipts from customers were \$13,257,939 (2022: \$11,156,706).

## Liquidity

The directors consider that the consolidated entity will continue as a going concern, as explained in note 1 to the financial statements.

## Business risks

The following is a summary of material business risks that could adversely affect the consolidated entity's financial performance and growth potential in future years and how the consolidated entity proposes to mitigate such risks.

### Macroeconomic risks

As the products sold by the consolidated entity are discretionary for most customers, the consolidated entity's financial performance can be impacted by current and future economic conditions which it cannot control, such as increases in interest rates, inflation and its customers' actions to adjust operating costs. The consolidated entity stays abreast of these conditions, focuses on its internal debtor controls and is diversifying its customer base to help manage these risks.

### Competitive market and changes to market trends

The consolidated entity operates in a highly competitive market. Innovation is constant and new. Competitive products could result in pricing pressures and unfavourable product positioning within the market. This risk is managed through maintaining product development teams that are highly experienced and remain abreast of the latest technological advances and implications for our current and future products. The company also continues to invest in its brand which continues to be well regarded within the consolidated entity's main markets of USA, LATAM and Australia.

### Cybersecurity and Information technology ('IT') infrastructure

The executive has directed substantial effort into ensuring that the risk and security controls safeguarding the consolidated entity continue to meet best practice and meet the high assurance requirements demanded by our partners and our ISO 27001 certified Information Security Management System ('ISMS'). The consolidated entity has extended its proactive monitoring of trends and vulnerabilities, utilising subscriptions to Threat Intelligence services, the Australian Cyber Security Centre, as well as regular internal vulnerability assessments, external penetration testing, security awareness training, Phishing simulation tests and (desktop based) BCP/DR tests. The robust ISO certified ISMS, resilient systems, continuous review and testing and high level of staff security awareness all contribute to safeguard and protect the company's people, systems and data.

### *A significant failure in the operation of any of our products and the subsequent impact on our customers' business operations*

The executive has directed substantial effort and investment into ensuring the operational success and efficiency of all its products and services. This risk is mitigated by maintaining a highly experienced and forward-looking development team to ensure the operational success and efficiency for our current and future products. The software and delivery mechanisms are architected in such a manner to minimise the business impacts of any failure. Customers have the opportunity to evaluate the software prior to entering into a commercial relationship, reducing the instances of the solutions not meeting their needs.

### *The availability of skilled staff and expertise, which can impact on revenue and costs*

The consolidated entity operates in a highly competitive market for skilled staff and expertise. The business has invested significant time and effort into hiring and training staff and forming strategic relationships with advisors who have the relevant expertise in network monitoring and internet security software. The executive considers that it has mitigated this risk so that the consolidated entity is well positioned to take advantage of the opportunities available to it in its main markets of USA, LATAM and Australia.

## 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

No matter or circumstance has arisen since 30 June 2023 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

Having successfully completed the restructuring and cost reductions noted in the prior period report, the consolidated entity is focused on the commitment to grow revenues faster without significant increase in costs, and to reaching cash flow positive.

## Environmental regulation

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

## Information on current directors

Information on the directors of the company as at 30 June 2023 and up to the date of this annual report is set out below:

Name:	<b>John Grant</b>
Title:	Non-Executive Director and Chair
Qualifications:	John has a degree in Engineering with Honours
Experience and expertise:	John has an extensive career spanning technology, engineering and construction, and sports administration. He has held leadership positions including Managing Director and CEO of ASX listed technology company, Data#3 Limited, and inaugural Chair of the Australian Rugby League Commission. He has also chaired or been a member of various industry and government advisory groups and industry associations.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Remuneration and Nomination Committee and member of the Audit, Risk and Compliance Committee
Interests in shares:	3,995,400 ordinary shares directly held
Interests in options:	4,200,000 options over ordinary shares
Interests in rights:	7,769,983 service rights and 3,600,000 share appreciation rights

Name:	<b>Paul MacRae</b>
Title:	Non-Executive Director
Qualifications:	Paul is a Graduate of the Australian Institute of Company Directors and holds Business qualifications and a Bachelor of Science in Chemistry from The University of Glasgow. He is an active advisory board member and mentor across several sectors.
Experience and expertise:	Paul has a successful history of setting up and running businesses in the IT industry in Australia and overseas. Paul's background includes having run divisions of TechnologyOne Limited. 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 & NZ (which was acquired by Symantec to establish its cloud business). He set up the Global reservation system Galileo in New Zealand. He was involved in selling his successful SAP Consultancy and has been instrumental in growing business at several leading software companies.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chair of the Remuneration and Nomination Committee
Interests in shares:	3,682,084 ordinary shares directly held
Interests in options:	None
Interests in rights:	2,525,690 restricted rights and 1,800,000 share appreciation rights

Name:	<b>Euh (David) Hwang</b>
Title:	Non-Executive Director
Qualifications:	Bachelor of Laws from UNSW
Experience and expertise:	David is an experienced executive and corporate lawyer (with particular expertise in ECM and ASX Listing Rules) and a trusted adviser to ASX Boards and management of businesses across a range of industries. Currently, David is a Managing Director at Prandium Capital, a boutique Sydney-based corporate advisory business focused on helping emerging Australian companies and their boards to structure, plan, scale and grow. Prior to this, David was a Managing Principal (Legal and Company Secretarial) at Automic Group, which, under his leadership, developed into Australia's largest and premier service provider in the outsourced company secretarial space for pre-IPO and ASX listed entities. He is also a Notary Public.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit, Risk and Compliance Committee
Interests in shares:	None
Interests in options:	None
Interests in rights:	1,800,000 share appreciation rights

Name:	<b>Danny Maher</b>
Title:	Managing Director
Qualifications:	Bachelor of Computing Studies, University of Canberra 1992 – awarded the University Prize.
Experience and expertise:	Danny has over 25 years' experience in the IT Industry across the USA, Asia, UK and Australian markets. He was the only executive shareholder of the NetStar Group which he led and built into a global Managed Services business servicing clients in 42 countries eventuating in its sale to Logicalis in 2009. In 2010, Danny founded Opmantek, a developer of cloud-enabled automated enterprise network management and IT audit software. Opmantek was acquired by FirstWave Cloud Technology Limited on 14 January 2022. At the time of acquisition Opmantek operated offices in Australia, the US and Mexico, with the software being used around the world by service providers and enterprise customers that include Microsoft, Telmex and NASA. Danny is a graduate of the University of Canberra where he studied a double major in Computing and a minor in Marketing and won the prestigious University Prize.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit, Risk and Compliance Committee and member of the Remuneration and Nomination Committee
Interests in shares:	50,922,171 ordinary shares directly held 201,233 570 ordinary shares indirectly held
Interests in options:	None
Interests in rights:	11,000,000 share appreciation rights

Name:	<b>Ray Kiley</b>
Title:	Non-Executive Director
Qualifications:	Bachelor of Laws (Hons) and Bachelor of Science from ANU
Experience and expertise:	Ray is an experienced advisor to technology start-ups and scale-ups. Previously he was CEO of Intelledox – an Australian enterprise software scale up that was successfully sold to SmartCommunications, an AKKR company. Ray began his career as a lawyer with Baker & McKenzie and later with Telstra where he was a Divisional General Counsel. He has since held senior management roles with Telstra, Medibank and CoreLogic before joining Intelledox. Ray has a Bachelor of Laws (Hons) and a Bachelor of Science majoring in Computer Science from the Australian National University.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chair of the Audit, Risk and Compliance Committee
Interests in shares:	1,044,762 ordinary shares directly held
Interests in options:	None
Interests in rights:	438,730 service rights and 1,800,000 share appreciation rights.

'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

Iain Bartram studied at Cambridge University, United Kingdom and has a Master's degree in Computer and Management Science and a post graduate diploma in Design and Manufacturing. Iain went on to train as an accountant with PwC in London and holds an ACA and is a member of Chartered Accountants Australia and New Zealand. He was appointed as company secretary on 9 November 2020. Iain has over 20 years' experience as a strategic CFO with international experience in high growth, listed and unlisted technology businesses. Iain's previous experience includes CFO of Jaxsta Limited (ASX:JXT).

## 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 2023, and the number of meetings attended by each director were:

	Full Board		Remuneration and Nomination Committee		Audit, Risk and Compliance Committee	
	Attended	Held	Attended	Held	Attended	Held
John Grant	9	10	3	3	4	4
Paul MacRae	10	10	3	3	-	-
Euh (David) Hwang	10	10	-	-	3	4
Danny Maher	10	10	3	3	4	4
Ray Kiley	10	10	-	-	4	4

# 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**

A major contributor to the performance of the consolidated entity is the quality of its directors and executives, and the Board is responsible for determining and reviewing their remuneration arrangements.

The consolidated entity's remuneration framework aims to attract, motivate, reward and retain high performing and high-quality personnel, and consists of a level of fixed remuneration that is market competitive and appropriate in recognition of the role and the candidate's experience, and a level of variable remuneration that aligns with sustained increase in shareholder value and rewards performance for results delivered.

The Board of Directors is also cognisant of remuneration being within reasonable shareholder expectations and to best practice levels of transparency.

## **Non-executive directors' remuneration**

Fees and payments to non-executive directors ("NEDs") 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' remuneration and payments are appropriate and in line with the market.

The maximum amount of fees that can be paid to NEDs is capped by a pool approved by shareholders. At a General Meeting, held on 15 April 2016, shareholders approved the current fee pool of \$400,000 per annum which is recorded on an accrual basis. The fee pool and the base directors' fees did not change in FY2023. Grants of options and share rights approved by shareholders do not count towards this limit.

## **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 framework has four components:

- base pay and non-monetary benefits;
- short-term performance incentives (STI);
- long term incentives (LTI) in the form of options and share rights; 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, is reviewed annually by the Board based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remuneration.

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 incentive program is designed to align the targets of the business units with the targets of those executives responsible for meeting those business unit 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 are subject to Board discretion.

The long-term incentives are in the form of options and share rights. The Board reviewed the long-term equity-linked performance incentives specifically for executives during the year ended 30 June 2023.

### Consolidated entity performance and link to remuneration

STIs were linked directly to performance with any payment requiring measurable achievement against the consolidated entity and individual targets. Any STIs and LTIs granted are at the discretion of the Board.

### Voting and comments made at the company's 2022 Annual General Meeting ('AGM')

At the 24 November 2022 AGM, 99.57% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2022. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

### Details of remuneration

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

- Simon Ryan – Chief Technology Officer
- Iain Bartram – Chief Financial Officer
- Dino Davanzo – Chief Revenue Officer (joined 2 November 2022)
- Craig Nelson – Chief Revenue Officer (joined 14 January 2022 and his last date of employment was 23 September 2022)

During the financial year, the KMP in total were granted 35,500,000 Share Appreciation Rights ('SARs') with an exercise price of \$0.05.

	Number of SARs
<i>NEDs were granted SARs on 27 September 2022 that vest in three equal tranches with vesting dates of 30 June 2023, 30 June 2024 and 30 June 2025 with corresponding expiry dates of 30 June 2026, 30 June 2027 and 30 June 2028 respectively.</i>	
John Grant	3,600,000
Paul MacRae	1,800,000
Euh (David) Hwang	1,800,000
Ray Kiley	1,800,000
Total SARs to NEDs	9,000,000
<i>KMPs were granted SARs on 27 September 2022 that vest in 2 years time being 30 June 2024 and expire 30 June 2027.</i>	
Danny Maher	11,000,000
Iain Bartram	9,500,000
Simon Ryan	3,000,000
Total SARs to other KMPs granted 27 September 2022	23,500,000
<i>KMP was granted SARs on 1 October 2022 that vest in 2 years time being 30 September 2024 and expire 30 June 2027.</i>	
Dino Davanzo	3,000,000
Total SARs granted to KMPs during 30 June 2023	35,500,000

FirstWave CEO Danny Maher has agreed that for the FY23 and FY24 years, his contract will be split between a fixed \$360,000 base plus superannuation, an STI against achievement of annualised revenue and EBITDA targets in each of the two financial years of \$180,000 in cash, and a Long-Term Incentive (LTI) equivalent to \$180,000 awarded in Share Appreciation Rights (SARs) to align his remuneration with the rest of the management team.

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

	Short-term benefits			Post-employment benefits	Long-term benefits	Termination benefits	Share-based payments	Total
	Cash salary and fees	Cash bonus	Annual leave	Super-annuation	Long service leave		Equity-settled options/rights	
2023	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>								
John Grant	120,000	-	-	12,600	-	-	52,600	185,200
Paul MacRae	58,000	-	-	6,090	-	-	26,300	90,390
Euh (David) Hwang	48,000	-	-	4,200	-	-	26,300	78,500
Ray Kiley	58,000	-	-	6,090	-	-	26,300	90,390
<i>Executive Director:</i>								
Danny Maher	360,000	90,000	7,615	25,292	6,725	-	137,500	627,132
<i>Other Key Management Personnel:</i>								
Simon Ryan	355,000	-	1,365	25,292	6,836	-	37,500	425,993
Iain Bartram	330,000	-	3,173	25,292	3,186	-	118,750	480,401
Dino Davanzo*	172,349	28,976	12,986	17,095	198	-	29,250	260,854
Craig Nelson**	33,075	26,408	35,181	23,324	-	59,617	-	177,605
	1,534,424	145,384	60,320	145,275	16,945	59,617	454,500	2,416,465

\* Represents remuneration from the date of appointment of 2 November 2022 to 30 June 2023.

\*\* Represents remuneration from 1 July 2022 to the last date of employment of 23 September 2022.

	Short-term benefits			Post-employment benefits	Long-term benefits	Termination benefits	Share-based payments	Total
	Cash salary and fees	Cash bonus	Annual leave	Super-annuation	Long service leave		Equity-settled options/rights	
2022	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>								
John Grant	204,845	-	-	19,853	-	-	106,355	331,053
Paul MacRae	29,000	-	-	5,800	-	-	51,405	86,205
Euh (David) Hwang	48,000	-	-	-	-	-	-	48,000
Ray Kiley*	-	-	-	2,900	-	-	25,885	28,785
<i>Executive Director:</i>								
Danny Maher**	172,857	180,000	-	9,498	2,868	-	-	365,223
<i>Other Key Management Personnel:</i>								
Simon Ryan	355,000	-	-	23,568	10,590	-	35,005	424,163
Iain Bartram	330,000	45,000	-	23,568	1,827	-	157,693	558,088
Craig Nelson***	16,354	25,434	-	-	-	-	326,230	368,018
Neil Pollock****	-	-	149,357	20,603	-	-	332	170,292
	1,156,056	250,434	149,357	105,790	15,285	-	702,905	2,379,827

\* Represents remuneration from the date of appointment of 27 January 2022 to 30 June 2022.

\*\* Represents remuneration from the date of appointment of 27 January 2022 to 30 June 2022.

\*\*\* Represents remuneration from the date of appointment of 14 January 2022 to 30 June 2022. Craig's H2 FY22 base salary and his H2 FY22 STI were salary sacrificed and converted into share settled equity-based payments.

\*\*\*\* Represents remuneration from 1 July 2021 the date of resignation of 7 July 2021, which was his effective last date of employment.

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

Name	Fixed remuneration		STI		LTI	
	2023	2022	2023	2022	2023	2022
<i>Non-Executive Directors:</i>						
John Grant	72%	68%	-	-	28%	32%
Paul MacRae	71%	40%	-	-	29%	60%
Euh (David) Hwang	66%	100%	-	-	34%	-
Ray Kiley	71%	10%	-	-	29%	90%
<i>Executive Director</i>						
Danny Maher	64%	51%	14%	49%	22%	-
<i>Other Key Management Personnel:</i>						
Simon Ryan	91%	92%	-	-	9%	8%
Iain Bartram	75%	64%	-	8%	25%	28%
Dino Davanzo	78%	-	11%	-	11%	-
Craig Nelson	85%	4%	15%	7%	-	89%
Neil Pollock	-	100%	-	-	-	-

## Service agreements

The consolidated entity enters into employment agreements with each KMP. The employment agreements with the KMP are continuous (i.e., not of fixed duration) and includes a minimum of 4 weeks' notice on the part of the employee and the consolidated entity. The employment agreements contain substantially the same terms which include the 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. KMP have no entitlement to termination payments in the event of removal for misconduct.

## Share-based compensation

### Issue of shares

There were no shares issued to directors and other KMP as part of compensation during the year ended 30 June 2023.

### 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:

Name	Number of options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per share right at grant date
John Grant	1,400,000	20/11/2019	01/07/2022	30/06/2025	\$0.547	\$0.093

John Grant was granted 1,400,000 options on 20 November 2019 that vested 1 July 2020 with an expiry date of 1 July 2023. Subsequent to year end 30 June 2023, these options have been expired without exercise or conversion on 1 July 2023.

Options granted carry no dividend or voting rights. Vesting of the options are subject to service conditions (continuous employment) and there are no performance conditions.

The number of options over ordinary shares granted to and vested in directors and other KMP as part of compensation is set out below:

Name	Number of options granted during the year 2023	Number of options granted during the year 2022	Number of options vested during the year 2023	Number of options vested during the year 2022
John Grant	-	-	1,400,000	1,400,000

No options granted, exercised or lapsed during the year 30 June 2023.

## Share rights

The terms and conditions of each grant of share rights over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Name	Number of rights granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per right at grant date
John Grant	1,200,000	27/09/2022	30/06/2023	30/06/2026	\$0.000	\$0.021
John Grant	1,200,000	27/09/2022	30/06/2024	30/06/2027	\$0.000	\$0.025
John Grant	1,200,000	27/09/2022	30/06/2025	30/06/2028	\$0.000	\$0.031
Paul MacRae	600,000	27/09/2022	30/06/2023	30/06/2026	\$0.000	\$0.021
Paul MacRae	600,000	27/09/2022	30/06/2024	30/06/2027	\$0.000	\$0.025
Paul MacRae	600,000	27/09/2022	30/06/2025	30/06/2028	\$0.000	\$0.031
Euh (David) Hwang	600,000	27/09/2022	30/06/2023	30/06/2026	\$0.000	\$0.021
Euh (David) Hwang	600,000	27/09/2022	30/06/2024	30/06/2027	\$0.000	\$0.025
Euh (David) Hwang	600,000	27/09/2022	30/06/2025	30/06/2028	\$0.000	\$0.031
Danny Maher	11,000,000	27/09/2022	30/06/2024	30/06/2027	\$0.000	\$0.025
Ray Kiley	600,000	27/09/2022	30/06/2023	30/06/2026	\$0.000	\$0.021
Ray Kiley	600,000	27/09/2022	30/06/2024	30/06/2027	\$0.000	\$0.025
Ray Kiley	600,000	27/09/2022	30/06/2025	30/06/2028	\$0.000	\$0.031
Iain Bartram	2,575,739	1/12/2020	30/06/2023	1/12/2027	\$0.000	\$0.096
Iain Bartram	9,500,000	27/09/2022	30/06/2024	30/06/2027	\$0.000	\$0.025
Simon Ryan	3,000,000	27/09/2022	30/06/2024	30/06/2027	\$0.000	\$0.025
Dino Davanzo	3,000,000	01/10/2022	30/09/2024	30/06/2027	\$0.000	\$0.026

All service rights issued in FY 23 and FY22 only had a time served criteria and did not have any performance based criteria.

Share rights granted carry no dividend or voting rights.

The number of share rights over ordinary shares granted to and vested in directors and other key management personnel as part of compensation during the year ended 30 June 2023 are set out below:

Name	Number of rights granted during the year 2023	Number of rights granted during the year 2022	Number of rights vested during the year 2023	Number of rights vested during the year 2022
John Grant	3,600,000	1,003,345	1,200,000	1,003,345
Paul MacRae	1,800,000	484,950	600,000	484,950
Euh (David) Hwang	1,800,000	-	600,000	-
Ray Kiley	1,800,000	438,730	600,000	438,730
Danny Maher	11,000,000	-	-	-
Simon Ryan	3,000,000	522,461	-	1,475,231
Iain Bartram	9,500,000	9,277,165	2,575,739	-
Dino Davanzo	3,000,000	-	-	-
Craig Nelson	-	4,292,506	-	4,292,506

Values of share rights over ordinary shares granted, vested and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2023 are set out below:

Name	Value of rights granted during the year \$	Value of rights vested during the year \$	Value of rights lapsed/ forfeited during the year \$	Remuneration consisting of rights for the year %
John Grant	94,200	25,200	-	28.0%
Paul MacRae	46,200	12,600	-	29.0%
Euh (David) Hwang	46,200	12,600	-	34.0%
Ray Kiley	46,200	12,600	-	29.0%
Danny Maher	275,000	-	-	22.0%
Simon Ryan	75,000	-	-	9.0%
Iain Bartram	237,500	246,498	(473,079)	25.0%
Dino Davanzo	78,000	-	-	11.0%

## 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	Purchased during the year	Other	Balance at the end of the year
<i>Ordinary shares</i>					
John Grant	3,995,400	-	-	-	3,995,400
Paul MacRae	3,682,084	-	-	-	3,682,084
Ray Kiley	1,044,762	-	-	-	1,044,762
Danny Maher	252,155,741	-	-	-	252,155,741
Simon Ryan	4,392,140	-	-	-	4,392,140
Iain Bartram	508,065	-	-	-	508,065
Craig Nelson*	19,523,897	-	-	(19,523,897)	-
	285,302,089	-	-	(19,523,897)	265,778,192

\* Craig Nelson's last date of employment was 23 September 2022 and hence was no longer a KMP from that date.

### Option holding

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

	Balance at the start of the year	Granted	Lapsed	Other	Balance at the end of the year
<i>Options over ordinary shares</i>					
John Grant	4,200,000	-	-	-	4,200,000
	4,200,000	-	-	-	4,200,000

### Share rights holding

The number of share rights 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	Expired/ forfeited/other	Balance at the end of the year
<i>Share rights over ordinary shares</i>				
John Grant	7,769,983	3,600,000	-	11,369,983
Paul MacRae	2,525,690	1,800,000	-	4,325,690
Euh (David) Hwang	-	1,800,000	-	1,800,000
Ray Kiley	438,730	1,800,000	-	2,238,730
Danny Maher	-	11,000,000	-	11,000,000
Simon Ryan	4,433,802	3,000,000	-	7,433,802
Iain Bartram	11,852,904	9,500,000	(9,277,165)	12,075,739
Dino Davanzo	-	3,000,000	-	3,000,000
Craig Nelson*	4,292,506	-	(4,292,506)	-
	31,313,615	35,500,000	(13,569,671)	53,243,944

\* Craig Nelson's last date of employment was 23 September 2022 and hence was no longer a KMP from that date.

	Vested and exercisable	Vested and unexercisable	Other**	Balance at the end of the year
<i>Share rights holding over ordinary shares (30 June 2023)</i>				
John Grant	8,969,983	-	-	8,969,983
Paul MacRae	600,000	2,525,690	-	3,125,690
Euh (David) Hwang	600,000	-	-	600,000
Ray Kiley	1,038,730	-	-	1,038,730
Simon Ryan	4,433,802	-	-	4,433,802
Iain Bartram	2,575,739	-	-	2,575,739
Craig Nelson*	4,292,506	-	(4,292,506)	-
Total vested share rights over ordinary shares	22,510,760	2,525,690	(4,292,506)	20,743,944

\* Craig Nelson's last date of employment was 23 September 2022 and hence was no longer a KMP from that date

### Loans to key management personnel and their related parties

There were no loans to key management personnel and their related parties as at 30 June 2023.

**This concludes the remuneration report, which has been audited.**

## Shares under option

There were 21,482,667 unissued ordinary shares of FirstWave Cloud Technology Limited under option outstanding at the date of this report. The options are exercisable at a weighted average exercise price of \$0.42 per option.

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 under share rights

There were 82,816,590 unissued ordinary shares of FirstWave Cloud Technology Limited under share rights outstanding at the date of this report. This includes 55,800,000 SARs that have an exercise price of \$0.05. The remaining 27,016,590 share rights have no exercise price.

## 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 2023 and up to the date of this report.

## Shares issued on the exercise of share rights

492,962 ordinary shares of FirstWave Cloud Technology Limited were issued on the exercise of share rights during the year ended 30 June 2023 and up to the date of this report. Share rights were exercised at an exercise price of \$nil.

## 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 26 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 26 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 (including Independence Standards) 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 PKF Brisbane Audit**

There are no officers of the company who are former partners of PKF Brisbane Audit.

**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



John Grant  
Chair



Ray Kiley  
Director

30 August 2023

# Auditor's independence declaration

PKF Brisbane Audit



AUDITOR'S INDEPENDENCE DECLARATION  
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF FIRSTWAVE CLOUD TECHNOLOGY LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2023, there have been no contraventions of:

- (a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.

This declaration is in respect of FirstWave Cloud Technology Limited and the entities it controlled during the year.

PKF BRISBANE AUDIT

SHAUN LINDEMANN  
PARTNER

BRISBANE  
30 AUGUST 2023

PKF Brisbane Audit ABN 33 873 151 348  
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# FINANCIAL REPORT

## 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 14, 132 Arthur Street  
North Sydney, NSW 2060  
Australia

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 30 August 2023. The directors have the power to amend and reissue the financial statements.

# Statement of profit or loss and other comprehensive income

For the year ended 30 June 2023

	Note	Consolidated	
		2023 \$	2022 \$
<b>Revenue</b>			
Revenue from contracts with customers	4	12,492,797	9,351,497
Cost of sales	6	(2,857,863)	(3,164,155)
Gross profit		9,634,934	6,187,342
Other income	5	2,518,465	1,391,018
Interest income calculated using the effective interest method		136,901	13,495
<b>Expenses</b>			
Sales and marketing		(4,594,096)	(5,074,454)
Product and development		(5,268,699)	(4,179,811)
Operations and support		(1,485,475)	(1,856,924)
Corporate and administration		(6,670,909)	(7,701,978)
Transaction costs		(99,113)	(2,173,410)
Impairment of assets	13	(7,591,178)	-
Finance costs	6	(11,167)	(60,772)
Total expenses		(25,720,637)	(21,047,349)
<b>Loss before income tax expense</b>		(13,430,337)	(13,455,494)
Income tax expense	7	(17,948)	-
<b>Loss after income tax expense for the year attributable to the owners of FirstWave Cloud Technology Limited</b>		(13,448,285)	(13,455,494)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		19,400	99,954
Other comprehensive income for the year, net of tax		19,400	99,954
<b>Total comprehensive income for the year attributable to the owners of FirstWave Cloud Technology Limited</b>		(13,428,885)	(13,355,540)
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	34	(0.81)	(1.14)
Diluted earnings per share	34	(0.81)	(1.14)

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

# Statement of financial position

As at 30 June 2023

Assets	Note	Consolidated	
		2023 \$	2022 \$
<b>Current assets</b>			
Cash and cash equivalents	8	5,607,419	10,408,589
Term deposits		133,776	133,776
Trade and other receivables	9	3,190,429	3,083,004
Contract assets		142,440	168,417
Other assets	10	742,640	639,081
<b>Total current assets</b>		<b>9,816,704</b>	<b>14,432,867</b>
<b>Non-current assets</b>			
Property, plant and equipment	11	109,992	167,484
Right-of-use assets	12	208,603	308,730
Intangibles	13	53,194,363	61,830,141
<b>Total non-current assets</b>		<b>53,512,958</b>	<b>62,306,355</b>
<b>Total assets</b>		<b>63,329,662</b>	<b>76,739,222</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	14	2,862,039	3,917,913
Contract liabilities	15	3,214,285	3,060,533
Employee benefits	16	1,392,125	1,410,549
Lease liabilities	18	118,569	107,145
Deferred research and development income	19	880,057	945,979
<b>Total current liabilities</b>		<b>8,467,075</b>	<b>9,442,119</b>
<b>Non-current liabilities</b>			
Contract liabilities	15	730,679	153,782
Employee benefits	16	163,960	108,860
Provisions	17	26,406	26,406
Lease liabilities	18	141,857	260,426
Deferred research and development income	19	1,369,579	1,590,156
<b>Total non-current liabilities</b>		<b>2,432,481</b>	<b>2,139,630</b>
<b>Total liabilities</b>		<b>10,899,556</b>	<b>11,581,749</b>
<b>Net assets</b>		<b>52,430,106</b>	<b>65,157,473</b>
<b>Equity</b>			
Issued capital	21	128,474,750	128,426,284
Reserves	22	5,911,076	5,736,129
Accumulated losses		(81,955,720)	(69,004,940)
<b>Total equity</b>		<b>52,430,106</b>	<b>65,157,473</b>

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

# Statement of changes in equity

For the year ended 30 June 2023

Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2021	63,760,506	7,611,200	(56,501,362)	14,870,344
Loss after income tax expense for the year	-	-	(13,455,494)	(13,455,494)
Other comprehensive income for the year, net of tax	-	99,954	-	99,954
Total comprehensive income for the year	-	99,954	(13,455,494)	(13,355,540)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 21)	62,036,737	-	-	62,036,737
Share-based payments (note 35)	-	860,004	-	860,004
Transfer to retained earnings	-	(961,916)	951,916	(10,000)
Share issue on exercise of options and share rights (note 21)	2,629,041	(1,873,113)	-	755,928
Balance at 30 June 2022	128,426,284	5,736,129	(69,004,940)	65,157,473
Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2022	128,426,284	5,736,129	(69,004,940)	65,157,473
Loss after income tax expense for the year	-	-	(13,448,285)	(13,448,285)
Other comprehensive income for the year, net of tax	-	19,400	-	19,400
Total comprehensive income for the year	-	19,400	(13,448,285)	(13,428,885)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payment expense (note 35)	-	704,813	-	704,813
Share issue on exercise of share rights (note 21)	48,466	(51,761)	-	(3,295)
Transfer to retained earnings	-	(497,505)	497,505	-
Balance at 30 June 2023	128,474,750	5,911,076	(81,955,720)	52,430,106

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

# Statement of cash flows

For the year ended 30 June 2023

	Note	Consolidated	
		2023 \$	2022 \$
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		13,257,939	11,156,706
Payments to suppliers and employees (inclusive of GST)		(16,553,154)	(17,912,327)
Transaction cost payments (inclusive of GST)		(40,756)	(2,717,781)
Interest received		95,684	17,700
Other income		1,484,806	1,661,314
Interest and other finance costs paid		-	(183)
Income taxes paid		-	(209,000)
Net cash used in operating activities	33	(1,755,481)	(8,003,571)
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(5,386)	(121,000)
Payments for intangibles		(2,909,358)	(3,084,626)
Opening cash balance of the acquired entity		-	958,938
Net cash used in investing activities		(2,914,744)	(2,246,688)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		-	13,957,893
Proceeds from exercise of options		-	761,163
Share issue transaction costs		(2,127)	(1,051,445)
Settlement of Opmantek Ltd borrowings		-	(2,282,136)
Borrowings to Opmantek Ltd		-	(500,000)
Repayment of lease liabilities	33	(128,818)	(188,493)
Net cash from/(used in) financing activities		(130,945)	10,696,982
Net increase/(decrease) in cash and cash equivalents		(4,801,170)	446,723
Cash and cash equivalents at the beginning of the financial year		10,408,589	9,961,866
Cash and cash equivalents at the end of the financial year	8	5,607,419	10,408,589
Net cash used in operating activities		(1,755,481)	(8,003,571)
Transaction cost payments (inclusive of GST)		40,756	2,717,781
Net cash used in operating activities before transaction costs (inclusive of GST)		(1,714,725)	(5,285,790)

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

# Notes to the financial statements

30 June 2023

## 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

During the year ended 30 June 2023, the consolidated entity incurred a net loss after tax of \$13,448,285 (2022: loss of \$13,455,494 and net cash outflows used in operating activities of \$1,755,481 (2022: operating cash outflow of \$8,003,571)). The directors have prepared the financial statements on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Based on its current commitments, the consolidated entity has sufficient funds to meet its debts as and when they fall due. Accordingly, the directors have determined that the use of the going concern basis of accounting is appropriate in preparing the financial statements. The assessment of going concern is based on cash flow projections. The preparation of these projections incorporates the use of several assumptions, judgements and other considerations ('inputs'). Having regard to the range

of possible outcomes utilising different inputs, the directors have concluded that none of the potential impacts to future cash flow outcomes give rise to material uncertainty which may cast 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 2023 and the results of all subsidiaries for the year then ended. FirstWave Cloud Technology Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

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

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

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

## Operating segments

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

## Foreign currency translation

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

### Foreign currency transactions

Foreign currency transactions are translated into the entity's functional currency 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.

## Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

## 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 recognised as a refund liability.

### Disaggregation of revenue

Recurring revenue relates to the provisioning of licensing, support, and professional services revenue provided over the contracted service period and where revenue is recognised over a period of time. Non-recurring revenue relates to professional services revenue that is ad hoc in nature and where revenue is recognised at a point in time.

### Licensing and support revenue (recurring 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.

### Interest

Interest income 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 on 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 of 12 months, co-terming with related license revenue recognised per revenue recognition policy stated above.

### Income tax

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- when the taxable temporary difference is associated with interests in subsidiaries 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.

FirstWave Cloud Technology Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

### 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 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.

### 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.

### Other financial assets

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. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

### *Financial assets at amortised cost*

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

## 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
Computer equipment	3-5 years
Computer platform	2-3 years
Website	5 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.

## Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

## Intangible assets

Intangible assets acquired are initially recognised at cost. 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.

### Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

### Capitalised development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure relating to an internally-generated intangible asset arising from development is 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 its 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 years.

**Brand name**

Brand name acquired in a business combination is not amortised but tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Brand names are considered to be indefinite life assets because there is no foreseeable limit to the cash flows generated by them.

**Customer list**

Customer list acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 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 years.

**Information systems**

Significant costs associated with information systems are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 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.

**Trade and other payables**

Trade and other payables 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.

**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.

**Lease liabilities**

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

**Finance costs**

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. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high-quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

### Defined contribution superannuation expense

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

## Share-based payments

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

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

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

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

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

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

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

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

## Fair value measurement

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

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

## Issued capital

Ordinary shares are classified as equity.

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

## Earnings per share

### *Basic earnings per share*

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

### *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming conversion of all 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 2023. The adoption of these Accounting Standards and Interpretations is not expected to have any significant impact on the consolidated entity's financial statements.

## 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 various other factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

### **Share-based payment transactions**

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. Refer to note 35 for information regarding key assumptions.

### **Allowance for expected credit losses**

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates and forward-looking information that is available. The allowance for expected credit losses, as disclosed in note 9, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

### **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 the previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

### **Goodwill and other indefinite life intangible assets**

As outlined in Note 13, management has identified two cash generating units (CGU). The recorded value of goodwill and other intangible assets have been allocated to each CGU. The allocation of other intangible assets to each CGU requires management judgement. Impairment testing has been performed for each CGU using the value in use method, based on the assumptions outlined in Note 13, which also require the use of significant estimates and judgements.

### **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.

**Lease term**

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

**Business combinations**

As discussed in note 1, business combinations are initially accounted for on a provisional basis, the amounts disclosed for the years ended 30 June 2023 and 30 June 2022 are final. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

**Note 3. Operating segments****Identification of reportable operating segments**

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

The consolidated entity only has one reportable segment being the development and sale of internet security software. For information on the reportable segment refer to the statement of profit or loss and other income (for segment revenues and profit/loss) and statement of financial position (for total segment assets and liabilities) and notes to the financial statements. Refer to note 4 for geographical information. Whilst two cash-generating units have been identified for the purpose of internal impairment assessments at balance date, this level of information has not been compiled and provided internally to the CODM during the year.

**Major customers**

During the year ended 30 June 2023, there was one major external customer (2022: one customer) where revenue exceeded 10% of the consolidated revenue. Total revenue from the customer for the year ended 30 June 2023 amounted to \$6,455,424 (2022: \$6,234,304).

## Note 4. Revenue from contracts with customers

### Disaggregation of revenue

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

	Consolidated	
	2023	2022
	\$	\$
<i>Major service lines</i>		
CyberCision	7,175,804	7,352,290
Network monitoring	5,316,993	1,999,207
	<u>12,492,797</u>	<u>9,351,497</u>
<i>Geographical regions</i>		
Australia	7,486,923	6,781,065
North America*	2,772,199	1,147,516
LATAM**	1,653,222	907,101
ROW***	580,453	515,815
	<u>12,492,797</u>	<u>9,351,497</u>
<i>Timing of revenue recognition</i>		
Recurring revenue (over a period of time)	11,169,980	9,131,206
Non-recurring revenue (at a point in time)	1,322,817	220,291
	<u>12,492,797</u>	<u>9,351,497</u>

\* North America represents revenue from customers in United States of America and Canada.

\*\* Latin America ('LATAM') represents revenue from customers in Mexico, Central America and South America.

\*\*\* Rest of the world ('ROW') represents the revenue from customers in the rest of the world.

## Note 5. Other income

	Consolidated	
	2023 \$	2022 \$
Research and development ('R&D') grant income*	897,714	1,358,122
Settlement of liability for no consideration**	1,596,018	-
Other income***	24,733	32,896
Other income	<u>2,518,465</u>	<u>1,391,018</u>

\* There are no unfulfilled conditions or other contingencies attached to receipt of R&D grant income.

\*\* The amount in the current year relates to the writeback of accruals for products that are now end of life and reflects the successful negotiation in terminating multiple contracts for services that the business no longer requires.

\*\*\* Includes \$7,500 (2022: \$nil) export success grant from Queensland Government for monitoring business, \$13,000 (2022: \$nil) Singapore lease security deposit refund and \$nil (2022: \$26,260) Singapore Government job support grant.

## Note 6. Expenses

	Consolidated	
	2023 \$	2022 \$
Loss before income tax includes the following specific expenses:		
<i>Cost of sales</i>		
Cost of licenses	2,857,863	3,164,155
<i>Depreciation</i>		
Leasehold improvements	33,998	46,546
Computer equipment	15,402	43,395
Website	2,457	2,280
Computer platform	623	410
Right-of-use assets	100,127	202,750
Total depreciation	152,607	295,381
<i>Amortisation</i>		
Capitalised development costs	3,917,595	3,279,236
Customer list	41,250	6,875
Patents	23,208	27,410
Total amortisation	3,982,053	3,313,521
Total depreciation and amortisation	4,134,660	3,608,902
<i>Impairment</i>		
Capitalised development costs	7,591,178	-
Information systems	-	90,000
Total impairment	7,591,178	90,000
<i>Finance costs</i>		
Interest and finance charges paid/payable on lease liabilities	11,167	60,772
<i>Net foreign exchange variance</i>		
Net foreign exchange variance	(11,578)	38,178
<i>Employee benefit expenses</i>		
Employee salaries and other benefits*	10,561,645	11,420,218
Defined contribution superannuation expense	745,510	774,676
Share-based payments expenses	704,813	860,004
Total employee benefit expenses	12,011,968	13,054,898

\* Includes a salary sacrifice amount of \$nil (2022: \$538,539). Share rights have been granted for cash forgone.

## Note 7. Income tax

	Consolidated	
	2023 \$	2022 \$
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(13,430,337)	(13,455,494)
Tax at the statutory tax rate of 25% (2022: 26%)	(3,357,584)	(3,363,874)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Amortisation of intangibles	980,266	749,666
Entertainment expenses	2,251	603
Impairment of assets	1,897,794	-
Non-deductible research and development incentive expenditure	491,109	669,570
Development costs	(727,180)	(857,314)
Deferred income	(230,347)	(339,530)
	(943,691)	(3,140,879)
Tax losses not recognised (including reversal of previously recognised tax losses)	650,498	2,658,303
Current year temporary differences not recognised	293,193	482,576
Under provision from prior period	17,948	-
Income tax expense	17,948	-
	Consolidated	
	2023 \$	2022 \$
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	48,253,453	50,098,496
Potential tax benefit at statutory tax rates	12,063,363	12,524,624

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

## Note 8. Cash and cash equivalents

	Consolidated	
	2023 \$	2022 \$
Cash at bank	5,607,419	10,408,589

## Note 9. Trade and other receivables

	Consolidated	
	2023 \$	2022 \$
Trade receivables	2,496,008	1,691,107
Less: Allowance for expected credit losses	(160,109)	(260,123)
	<u>2,335,899</u>	<u>1,430,984</u>
Research and development tax incentive receivable	854,530	1,397,219
Other receivables	-	34,685
GST receivable	-	220,116
	<u>3,190,429</u>	<u>3,083,004</u>

### Allowance for expected credit losses

The consolidated entity has recognised a loss of \$33,084 (2022: \$667,906) in profit or loss in respect of impairment of receivables for the year ended 30 June 2023.

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

Consolidated	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2023 %	2022 %	2023 \$	2022 \$	2023 \$	2022 \$
Not overdue	3.00%	-	2,311,416	1,172,563	69,342	-
0 to 3 months overdue	5.90%	9.20%	91,809	227,960	5,421	20,982
3 to 6 months overdue	15.00%	12.37%	5,427	25,034	814	3,098
6 to 12 months overdue	47.66%	36.78%	5,396	46,670	2,572	17,163
Special provision	100.00%	100.00%	81,960	218,880	81,960	218,880
			<u>2,496,008</u>	<u>1,691,107</u>	<u>160,109</u>	<u>260,123</u>

Movements in the allowance for expected credit losses are as follows:

	Consolidated	
	2023 \$	2022 \$
Opening balance	260,123	210,224
Additional provisions recognised	33,084	667,906
Receivables written off during the year as uncollectable	(133,098)	(618,007)
Closing balance	<u>160,109</u>	<u>260,123</u>

## Note 10. Other assets

	Consolidated	
	2023 \$	2022 \$
<i>Current assets</i>		
Prepayments	709,459	605,900
Security deposits	33,181	33,181
	<u>742,640</u>	<u>639,081</u>

## Note 11. Property, plant and equipment

	Consolidated	
	2023 \$	2022 \$
Leasehold improvements – at cost	685,863	685,863
Less: Accumulated depreciation	(608,200)	(574,202)
	<u>77,663</u>	<u>111,661</u>
Computer equipment – at cost	574,827	565,443
Less: Accumulated depreciation	(552,131)	(536,729)
	<u>22,696</u>	<u>28,714</u>
Computer platform – at cost	245,475	259,871
Less: Accumulated depreciation	(245,261)	(244,638)
	<u>214</u>	<u>15,233</u>
Website – at cost	23,843	12,286
Less: Accumulated depreciation	(14,424)	(410)
	<u>9,419</u>	<u>11,876</u>
	<u>109,992</u>	<u>167,484</u>

## 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 \$	Computer equipment \$	Computer platform \$	Website \$	Total \$
Balance at 1 July 2021	68,807	54,282	3,117	-	126,206
Additions	87,533	19,855	14,396	12,286	134,070
Additions through business combinations	20,806	-	-	-	20,806
Disposals	(18,939)	(2,028)	-	-	(20,967)
Depreciation expense	(46,546)	(43,395)	(2,280)	(410)	(92,631)
Balance at 30 June 2022	111,661	28,714	15,233	11,876	167,484
Additions	-	9,384	-	-	9,384
Disposals	-	-	(14,396)	-	(14,396)
Depreciation expense	(33,998)	(15,402)	(623)	(2,457)	(52,480)
Balance at 30 June 2023	77,663	22,696	214	9,419	109,992

## Note 12. Right-of-use assets

	Consolidated	
	2023 \$	2022 \$
<i>Non-current assets</i>		
Right-of-use assets – office premises	417,195	1,022,455
Less: Accumulated depreciation	(208,592)	(713,725)
	<u>208,603</u>	<u>308,730</u>

The consolidated entity has leased office premises under operating leases expiring in two to four years, with in certain instances options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

### Reconciliations

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

Consolidated	Office premises \$
Balance at 1 July 2021	622,149
Disposals	(110,669)
Depreciation expense	(202,750)
Balance at 30 June 2022	308,730
Depreciation expense	(100,127)
Balance at 30 June 2023	<u>208,603</u>

For other AASB 16 lease-related disclosures refer to the following:

- note 6 for details of interest on lease liabilities and other lease expenses;
- note 18 for details of lease liabilities at the beginning and end of the reporting period;
- note 24 for the maturity analysis of lease liabilities; and
- consolidated statement of cash flows for repayment of lease liabilities.

## Note 13. Intangibles

	Consolidated	
	2023 \$	2022 \$
Goodwill – at cost	49,493,774	49,493,774
Capitalised development costs – at cost	29,157,582	26,248,860
Less: Accumulated amortisation	(19,009,367)	(15,091,772)
Less: Impairment	(7,591,178)	-
	2,557,037	11,157,088
Brand name – at cost	971,000	971,000
Customer list – at cost	165,000	165,000
Less: Accumulated amortisation	(48,125)	(6,875)
	116,875	158,125
Patents – at cost	241,536	212,805
Less: Accumulated amortisation	(185,859)	(162,651)
	55,677	50,154
Information systems – at cost	90,000	90,000
Less: Accumulated impairment	(90,000)	(90,000)
	-	-
	53,194,363	61,830,141

## Reconciliations

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

Consolidated	Goodwill \$	Capitalised development \$	Brand name \$	Customer list \$	Patents \$	Information systems \$	Total \$
Balance at 1 July 2021	-	9,346,067	-	-	67,238	90,000	9,503,305
Additions	-	3,429,257	-	-	10,326	-	3,439,583
Additions through business combinations	49,493,774	1,661,000	971,000	165,000	-	-	52,290,774
Impairment expense	-	-	-	-	-	(90,000)	(90,000)
Amortisation expense	-	(3,279,236)	-	(6,875)	(27,410)	-	(3,313,521)
Balance at 30 June 2022	49,493,774	11,157,088	971,000	158,125	50,154	-	61,830,141
Additions	-	2,908,722	-	-	28,731	-	2,937,453
Impairment expense	-	(7,591,178)	-	-	-	-	(7,591,178)
Amortisation expense	-	(3,917,595)	-	(41,250)	(23,208)	-	(3,982,053)
Balance at 30 June 2023	49,493,774	2,557,037	971,000	116,875	55,677	-	53,194,363

### Impairment tests for goodwill and all other intangibles

The consolidated entity tests whether goodwill and other intangible assets have incurred any impairment in accordance with the consolidated entity's accounting policies.

The recoverable amounts of assets and the Cash Generating Unit ('CGU') were previously determined using a fair value less costs to sell using a market-based approach. During the period, the directors reassessed the use of fair value using the market-based approach and deemed that a value-in-use method is more appropriate.

#### a) Cash Generating Units ('CGUs')

For the purpose of impairment testing, intangibles have been allocated to two CGUs (CyberCision and Network Monitoring). A summary of the carrying value of goodwill and other intangible assets as at 30 June 2023 is detailed below:

	Information systems \$	Total \$
Goodwill	-	49,493,774
Other Intangibles	1,723,494	1,977,095
	1,723,494	51,470,869

### **b) Impairment testing and key assumptions**

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from the other assets or groups of assets (CGUs).

The directors have assessed the fair value having regard to a value in use approach and based on the recoverable amount calculation with the assumptions outlined below, have determined an impairment charge of \$7,591,178 in relation to the CyberCision CGU. No impairment was noted in relation to the Network Monitoring CGU. The recoverable value of the two CGUs has been measured at \$53,282,878. The impairment has been recognised as a result of lower than anticipated sales of the CyberCision platform and a focus on Network Monitoring due to the significant opportunities globally that exist in that CGU. This has led to a rebalancing of the investment in development and several redundancies in the CyberCision team. The Directors do not believe that the existing clients of the CyberCision platform will be affected by the changes, and the company continues to see opportunities for the product.

The practice of the consolidated entity is not to provide business forecasts as they require a range of assumptions with multiple variables that it believes are too difficult to make and ultimately can be as misleading as they might be informative. Consequently, the following significant judgements and key assumptions should only be read in the context of forecasts so far as they relate to the value in use calculations:

	<b>CyberCision</b>	<b>Network Monitoring</b>
Forecast period	5 years	5 years
Discount rate (pre-tax)	16%	16%
Terminal growth rate	3%	3%
Revenue Growth rate	Organic growth rate per annum over a 5 year period of 5-10%	Organic growth rate per annum over a 5 year period of 20-30%
Operating costs / overheads	Operating costs to grow in line with inflation and other than COGS and some increased support costs, resources not to grow as a result of revenue growth.	Operating costs to grow in line with inflation and other than some increased support costs, resources not to grow as a result of revenue growth.
Cash flow forecast	Cash flow calculations to use cash flow projections based on the financial forecast approved by management covering a 5 year period.	Cash flow calculations to use cash flow projections based on the financial forecast approved by management covering a 5 year period.

### **Sensitivity to changes in assumptions**

For the Network Monitoring CGU, revenue would need to decrease by more than 9% in the first year before goodwill would need to be impaired, with all other assumptions remaining constant. The discount rate would be required to increase by 1.4% before goodwill would need to be impaired, with all other assumptions remaining constant. Management believes that other reasonable changes in the key assumptions on which the recoverable amount of the monitoring division's goodwill is based would not cause the CGU's carrying amount to exceed its recoverable amount. If there are any negative changes in the key assumptions on which the recoverable amount of goodwill is based, this will result in a future impairment charge for the monitoring division's goodwill.

## Note 14. Trade and other payables

	Consolidated	
	2023 \$	2022 \$
<i>Current liabilities</i>		
Trade payables	1,194,598	1,124,190
Accrued expenses	1,590,500	2,793,723
GST payable	76,941	-
	<u>2,862,039</u>	<u>3,917,913</u>

Refer to note 24 for further information on financial instruments.

## Note 15. Contract liabilities

	Consolidated	
	2023 \$	2022 \$
<i>Current liabilities</i>		
Contract liabilities	3,214,285	3,060,533
<i>Non-current liabilities</i>		
Contract liabilities	730,679	153,782
	<u>3,944,964</u>	<u>3,214,315</u>

### Reconciliation

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

	Consolidated	
	2023 \$	2022 \$
Opening balance	3,214,315	1,023,050
Payments received in advance	7,286,857	959,040
Additions through business combination	-	2,631,918
Transfer to revenue – included in the opening balance	(2,528,092)	(901,819)
Transfer to revenue – other balances	(4,028,116)	(497,874)
Closing balance	<u>3,944,964</u>	<u>3,214,315</u>

### Unsatisfied performance obligations

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was \$3,944,964 as at 30 June 2023 (\$3,214,315 as at 30 June 2022) and is expected to be recognised as revenue in future periods as follows:

	Consolidated	
	2023 \$	2022 \$
Within 12 months	3,214,285	3,060,533
12 to 24 months	730,679	153,782
	<u>3,944,964</u>	<u>3,214,315</u>

## Note 16. Employee benefits

	Consolidated	
	2023 \$	2022 \$
<i>Current liabilities</i>		
Annual leave	1,038,067	1,064,686
Long service leave	354,058	345,863
	<u>1,392,125</u>	<u>1,410,549</u>
<i>Non-current liabilities</i>		
Long service leave	163,960	108,860
	<u>1,556,085</u>	<u>1,519,409</u>

## Note 17. Provisions

	Consolidated	
	2023 \$	2022 \$
<i>Non-current liabilities</i>		
Lease make-good	26,406	26,406

### 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.

## Note 18. Lease liabilities

	Consolidated	
	2023	2022
	\$	\$
<i>Current liabilities</i>		
Lease liability	118,569	107,145
<i>Non-current liabilities</i>		
Lease liability	141,857	260,426
	<u>260,426</u>	<u>367,571</u>

Refer to note 24 for maturity analysis of lease liabilities.

## Note 19. Deferred research and development income

	Consolidated	
	2023	2022
	\$	\$
<i>Current liabilities</i>		
Deferred research and development income	880,057	945,979
<i>Non-current liabilities</i>		
Deferred research and development income	1,369,579	1,590,156
	<u>2,249,636</u>	<u>2,536,135</u>

## Note 20. Borrowings

### 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	
	2023 \$	2022 \$
<b>Total facilities</b>		
NAB lease facility	300,000	300,000
Corporate credit card facility	70,000	70,000
	<u>370,000</u>	<u>370,000</u>
<b>Used at the reporting date</b>		
NAB lease facility	-	-
Corporate credit card facility	-	-
	<u>-</u>	<u>-</u>
<b>Unused at the reporting date</b>		
NAB lease facility	300,000	300,000
Corporate credit card facility	70,000	70,000
	<u>370,000</u>	<u>370,000</u>

## Note 21. Issued capital

	Consolidated			
	2022 Shares	2021 Shares	2022 \$	2021 \$
Ordinary shares – fully paid	1,662,846,883	1,662,353,921	128,474,750	128,426,284

### Movements in ordinary share capital

Details	Date	Shares	\$	
Balance	1 July 2021	747,390,339		63,760,506
Issue of shares on exercise of options	16 July 2021	418,751	\$0.110	46,482
Issue of shares on exercise of rights	19 July 2021	960,000	\$0.110	100,800
Issue of shares on exercise of rights	2 August 2021	4,178,060	\$0.110	438,696
Issue of shares on exercise of rights	2 August 2021	27,588	\$0.140	3,807
Issue of shares on exercise of options	2 August 2021	6,155,118	\$0.110	683,218
Issue of shares on exercise of options	19 August 2021	8,714,504	\$0.110	967,310
Issue of shares on exercise of rights	6 September 2021	1,130,432	\$0.110	118,695
Issue of shares on exercise of rights	6 September 2021	55,176	\$0.140	7,614
Issue of shares on exercise of rights	6 September 2021	367,340	\$0.070	24,612
Issue of shares from placement	7 December 2021	40,000,000	\$0.070	2,800,000
Issue of shares on exercise of rights	7 December 2021	508,065	\$0.120	60,460
Issue of shares from entitlement offer	21 December 2021	99,398,468	\$0.070	6,957,893
Issue of shares on exercise of rights	24 December 2021	111,358	\$0.110	11,693
Issue of shares on exercise of rights	24 December 2021	55,679	\$0.120	6,626
Issue of shares on exercise of rights	24 December 2021	59,556	\$0.130	7,498
Issue of shares on exercise of rights	14 April 2022	1,374,481	\$0.110	144,321
Issue of shares from placement	20 January 2022	60,000,000	\$0.070	4,200,000
Issue of shares on exercise of rights	14 April 2022	134,903	\$0.070	9,039
Issue of shares on exercise of rights	14 April 2022	48,279	\$0.140	6,662
Issue of shares – business combination	17 January 2022	691,265,824	\$0.068	49,079,874
Share issue transaction costs, net of tax		-	\$0.000	(1,009,522)
Balance	30 June 2022	1,662,353,921		128,426,284
Issue of shares on exercise of rights	13 December 2022	426,667	\$0.110	44,800
Issue of shares on conversion of rights	13 December 2022	66,295	\$0.110	6,961
Share issue transaction costs, net of tax				(3,295)
Balance	30 June 2023	1,662,846,883		128,474,750

### **Ordinary shares**

Ordinary shares entitle the holder to participate in any dividends declared and any proceeds attributable to shareholders should the company be wound up, in proportions that consider both the number of shares held and the extent to which those shares are paid up. 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 in managing its capital are to safeguard its ability to continue as a going concern while balancing its ability to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimum capital structure to reduce the cost of capital.

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

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

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

The capital risk management policy remains unchanged from the 30 June 2022 Annual Report.

## Note 22. Reserves

	Consolidated	
	2023 \$	2022 \$
Foreign currency reserve	117,189	97,789
Share-based payments reserve	5,793,887	5,638,340
	<u>5,911,076</u>	<u>5,736,129</u>

### Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars.

### 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	Foreign currency reserve \$	Share-based payments \$	Total \$
Balance at 1 July 2021	(2,165)	7,613,365	7,611,200
Foreign currency translation	99,954	-	99,954
Share-based payment expense	-	860,004	860,004
Transfer to issued capital	-	(1,873,113)	(1,873,113)
Transfer to retained earnings	-	(961,916)	(961,916)
Balance at 30 June 2022	97,789	5,638,340	5,736,129
Foreign currency translation	19,400	-	19,400
Share-based payment expense	-	704,813	704,813
Transfer to issued capital	-	(51,761)	(51,761)
Transfer to retained earnings	-	(497,505)	(497,505)
Balance at 30 June 2023	<u>117,189</u>	<u>5,793,887</u>	<u>5,911,076</u>

## Note 23. Dividends

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

## Note 24. Financial instruments

### Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial, market, credit and liquidity risks. 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 and foreign exchange risks 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 through the Managing Director on a monthly basis.

### Market risk

#### Foreign currency risk

The consolidated entity is not exposed to any significant foreign currency risk as its offshore revenues and expenses act as a natural arbitrage.

#### Price risk

The consolidated entity is not exposed to any significant price risk noting however that the pricing of its products are subject to competitive pressure.

#### Interest rate risk

The consolidated entity's main interest rate risk arises from cash at bank. Bank balance at variable rates expose the consolidated entity to interest rate risk.

An official increase/decrease in interest rates of 50 (2022: 50) basis points would have a favourable/adverse effect on the loss before tax of \$29,196 (2022: \$52,043) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts' forecasts.

#### 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 adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

The consolidated entity has a credit risk exposure with one major customer, which as at 30 June 2023 owed the consolidated entity \$1,245,883 (50% of trade receivables) (2022: \$544,256 (32% of trade receivables)). This balance was within its terms of trade and no impairment was made as at 30 June 2023 and 30 June 2022. 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.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

## Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing/capital raising facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

### Financing arrangements

Unused borrowing facilities at the reporting date:

	Consolidated	
	2023 \$	2022 \$
NAB lease facility	300,000	300,000
Corporate credit card facility	70,000	70,000
	<u>370,000</u>	<u>370,000</u>

### 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 – 2023	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-	1,194,598	-	-	-	1,194,598
<i>Interest-bearing – fixed rate</i>						
Lease liability	3.50%	118,569	130,703	11,155	-	260,427
Total non-derivatives		1,313,167	130,703	11,155	-	1,455,025

Consolidated – 2022	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-	1,124,190	-	-	-	1,124,190
<i>Interest-bearing – fixed rate</i>						
Lease liability	3.50%	107,145	118,568	141,857	-	367,570
Total non-derivatives		1,231,335	118,568	141,857	-	1,491,760

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

## Note 25. 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 26. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by PKF Brisbane Audit, the auditor of the company:

	Consolidated	
	2023 \$	2022 \$
<i>Audit services – PKF Brisbane Audit (2022: Grant Thornton)</i>		
Audit or review of the financial statements	121,500	227,601
<i>Other services – PKF Brisbane (2022: Grant Thornton)</i>		
Taxation services	12,000	40,000
	<u>133,500</u>	<u>267,601</u>

## Note 27. Contingent liabilities

The consolidated entity has given bank guarantees as at 30 June 2023 of \$133,776 (2022: \$133,776) to various landlords.

## Note 28. Commitments

The consolidated entity had no commitments as at 30 June 2023 and 30 June 2022.

## Note 29. 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	
	2023 \$	2022 \$
Short-term employee benefits	1,740,128	1,406,490
Post-employment benefits	145,275	105,790
Long-term benefits	16,945	15,285
Termination benefits	59,617	149,357
Share-based payments	454,500	702,905
	<u>2,416,465</u>	<u>2,379,827</u>

## Note 30. Interests in subsidiaries

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

Name	Principal place of business / Country of incorporation	Ownership interest	
		2023 %	2022 %
FirstWave Technology Pty Ltd	Australia	100%	100%
FirstWave Global Pty Ltd	Australia	100%	100%
FirstWave Cloud Technology Inc.	The United States of America	100%	100%
FirstWave Cloud Technology (Singapore) Pte Ltd	Singapore	100%	100%
FirstWave Share Rights Pty Ltd	Australia	100%	100%
Opmantek Ltd	Australia	100%	100%
Opmantek Software Pty Ltd	Australia	100%	100%

## Note 31. Related party transactions

### **Parent entity**

FirstWave Cloud Technology Limited is the parent entity.

### **Subsidiaries**

Interests in subsidiaries are set out in note 30.

### **Key management personnel**

Disclosures relating to key management personnel are set out in note 29.

### **Transactions with related parties**

There were no transactions with related parties during the current and previous financial year.

### **Receivable from and payable to related parties**

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

### **Loans to/from related parties**

There were no loans to or from related parties at the current and previous reporting date.

## 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	
	2023 \$	2022 \$
Loss after income tax	(6,728,566)	(46,861,042)
Total comprehensive income	(6,728,566)	(46,861,042)

### *Statement of financial position*

	Parent	
	2023 \$	2022 \$
Total current assets	206,907	126,949
Total assets	58,623,124	65,300,008
Total current liabilities	(9,796)	142,535
Total liabilities	(9,796)	142,535
Equity		
Issued capital	128,474,750	128,426,284
Share-based payments reserve	5,793,887	5,638,340
Accumulated losses	(75,635,717)	(68,907,151)
Total equity	58,632,920	65,157,473

### *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 2023 and 30 June 2022.

### *Contingent liabilities*

The parent entity had no contingent liabilities as at 30 June 2023 and 30 June 2022.

### *Capital commitments – Property, plant and equipment*

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2023 and 30 June 2022.

### *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. Cash flow information

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

	Consolidated	
	2023 \$	2022 \$
Loss after income tax expense for the year	(13,448,285)	(13,455,494)
Adjustments for:		
Depreciation and amortisation	4,134,660	3,608,902
Impairment expense	7,591,178	90,000
Share-based payments – employees	704,813	860,004
Other non-cash adjustments	22,208	8,645
Change in operating assets and liabilities:		
Increase in trade and other receivables	(107,424)	(239,052)
Decrease in contract assets	25,977	384,280
Decrease/(increase) in prepayments	(103,559)	500,620
Increase in other operating assets	-	(1,408,509)
Decrease in trade and other payables	(1,055,875)	(341,075)
Increase in contract liabilities	730,649	2,191,265
Increase in employee benefits	36,676	97,425
Decrease in other operating liabilities	(286,499)	(300,582)
Net cash used in operating activities	(1,755,481)	(8,003,571)

### Non-cash investing and financing activities

	Consolidated	
	2023 \$	2022 \$
Shares issued in relation to business combinations	-	49,079,874
Shares issued for non-cash consideration	51,761	2,637,532
	51,761	51,717,406

### Changes in liabilities arising from financing activities

Consolidated	Lease liability \$
Balance at 1 July 2021	632,988
Net cash used in financing activities	(188,493)
Other changes	(76,924)
Balance at 30 June 2022	367,571
Net cash used in financing activities	(128,818)
Other changes	21,672
Balance at 30 June 2023	260,425

## Note 34. Earnings per share

	Consolidated	
	2023 \$	2022 \$
Loss after income tax attributable to the owners of FirstWave Cloud Technology Limited	(13,448,285)	(13,455,494)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	1,662,621,336	1,181,688,234
Weighted average number of ordinary shares used in calculating diluted earnings per share	1,662,621,336	1,181,688,234
	Cents	Cents
Basic earnings per share	(0.81)	(1.14)
Diluted earnings per share	(0.81)	(1.14)

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

## Note 35. Share-based payments

The consolidated entity has a share option plan and a share rights plan to incentivise certain employees and key management personnel ('KMP'). Shareholders approved the Rights Plan at an Extraordinary General Meeting held on 29 July 2020. The Board has the discretion to invite employees to apply for share rights, which have been designed to deliver long term variable remuneration opportunities, which has a service based vesting condition, that assist in aligning the interests of the employees, with shareholders of the company.

During the financial year no options and 55,800,000 share rights were granted (2022: no options and 16,585,111 share rights). The share-based payment expense for the year was \$704,813 (2022: \$860,004), out of which \$nil (2022: \$538,539) was offset by the employees agreeing to salary sacrifice in lieu of service rights and hence saving the consolidated entity cash costs.

### Movements in share awards during the year

The following table illustrates the number of awards and weighted average exercise prices ('WAEP') of, and movements in, share awards during the current and previous year:

	Number 30 June 2023	Number 30 June 2022	WAEP 30 June 2023	WAEP 30 June 2022
<b>Movement in share options including share rights</b>				
Balance at the beginning of the year	59,552,717	76,426,895	\$0.000	\$0.190
Share rights granted during the year	55,800,000	16,585,111	\$0.000	\$0.000
Forfeited during the year	(9,277,165)	-	\$0.000	\$0.000
Exercised during the year	(492,962)	(24,299,290)	\$0.000	\$0.031
Expired during the year	(2,933,333)	(9,159,999)	\$0.000	\$0.000
Balance at the end of the year	102,649,257	59,552,717		

19,832,667 options and 30,016,590 share rights were vested and exercisable as at 30 June 2023 (2022: 21,116,000 options and 24,933,813 share rights).

The weighted average share price of the company during the financial year was \$0.06 (2022: \$0.07).

The weighted average remaining contractual life of options and share rights outstanding at the end of the financial year was 5.06 years (2022: 6.17 years).

### Share rights

During the year 30 June 2022, 1,088,415 restricted rights were issued to key personnel in lieu of cash bonuses with nil exercise price and expiry 30 June 2027 and 9,277,165 share appreciation rights (SARs) were issued to Iain Bartram in three tranches 2,796,610, 3,113,208 and 3,367,347 at exercise prices of \$0.18, \$0.27 and \$0.36 respectively vesting over 3 years from 1 July 2021 to 30 June 2024 and expiring 30 June 2027.

During the year 30 June 2022, there were also 6,219,531 share rights granted in lieu of salary and fees. 484,950 were granted to Paul MacRae and 1,003,345 to John Grant in lieu of directors fees expiring 30 June 2035, and 4,292,506 to Craig Nelson in lieu of salary and commission with nil exercise price and expiring 30 June 2027. 438,730 were granted to Ray Kiley in lieu of Director's fees and were approved by shareholders during the 24 November 2022 Annual General Meeting.

During the year 30 June 2023, 35,800,000 SARs were granted in lieu of cash bonuses with a \$nil exercise price, vesting over two years from 1 July 2022 to 30 June 2024 and expiring 30 June 2027.

During the year 30 June 2023, there were also 20,000,000 SARs granted in lieu of director fees as follows:

- (i) 11,000,000 SARs were granted to Danny Maher vesting over two years from 1 July 2022 to 30 June 2024 and expiring 30 June 2027;
- (ii) 3,600,000 SARs were granted to John Grant in three tranches of 1,200,000 vesting over a three year period from 1 July 2022 to 30 June 2023, 1 July 2023 to 30 June 2024 and 1 July 2024 to 30 June 2025 with respective expiry dates of 30 June 2026, 30 June 2027 and 30 June 2028;
- (iii) 1,800,000 SARs were granted to Paul MacRae in three tranches of 600,000 vesting over a three year period from 1 July 2022 to 30 June 2023, 1 July 2023 to 30 June 2024 and 1 July 2024 to 30 June 2025 with respective expiry dates of 30 June 2026, 30 June 2027 and 30 June 2028;
- (iv) 1,800,000 SARs were granted to Ray Kiley in three tranches of 600,000 vesting over a three year period from over a three year period from 1 July 2022 to 30 June 2023, 1 July 2023 to 30 June 2024 and 1 July 2024 to 30 June 2025 with respective expiry dates of 30 June 2026, 30 June 2027 and 30 June 2028
- (v) 1,800,000 SARs were granted to Euh (David) Hwang in three tranches of 600,000 vesting over a three year period from over a three year period from 1 July 2022 to 30 June 2023, 1 July 2023 to 30 June 2024 and 1 July 2024 to 30 June 2025 with respective expiry dates of 30 June 2026, 30 June 2027 and 30 June 2028.

All share rights issued are only subject to service conditions for vesting.

For the share rights granted during the current financial year, the valuation model inputs used to determine their fair value at the grant date are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
				%		%	
27/09/2022	30/06/2026	\$0.040	\$0.05	63.38%	-	3.50%	\$0.021
27/09/2022	30/06/2027	\$0.040	\$0.05	73.76%	-	3.50%	\$0.025
27/09/2022	30/06/2027	\$0.040	\$0.05	75.14%	-	3.50%	\$0.026
27/09/2022	30/06/2028	\$0.040	\$0.05	88.10%	-	3.50%	\$0.031
01/10/2022	30/06/2027	\$0.040	\$0.05	75.14%	-	3.50%	\$0.026

## Note 36. Events after the reporting period

No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

# Directors' declaration

30 June 2023

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 2023 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



John Grant  
Chair



Ray Kiley  
Director

30 August 2023  
Sydney

# Independent auditor's report to the members of Firstwave Cloud Technology Limited

PKF Brisbane Audit



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FIRSTWAVE CLOUD TECHNOLOGY LIMITED

### Report on the Financial Report

#### Opinion

We have audited the accompanying financial report of FirstWave Cloud Technology Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion the financial report of FirstWave Cloud Technology Limited is in accordance with the *Corporations Act 2001*, including:

- a) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2023 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

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

#### 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

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## 1. Carrying value and impairment of goodwill and other intangible assets

### Why significant

As at 30 June 2023 the Group has recognised goodwill of \$49.49m and other intangible assets of \$3.70m as disclosed in Note 13.

An annual impairment assessment is required under AASB 136 *Impairment of Assets*. This assessment is conducted on the relevant assets at the level of the lowest identifiable cash generating units (CGU), which for the Group represents the operating business which it controls.

The directors prepared a discounted cashflow model to perform impairment assessments for each CGU. The key assumptions within this model included, but was not limited to:

- Revenue growth rate;
- Terminal growth rate; and
- Discount rate.

An impairment charge of \$7.59m was recognised as at 30 June 2023.

Significant judgements are required in the impairment assessment by management about the anticipated future results of the CGU's, and the wider economies in which they operate. There was a high degree of estimation, complexity and uncertainty in developing key assumptions for the cash flow models.

### How our audit addressed the key audit matter

Our work included, but was not limited to, the following procedures:

- Assessing the appropriateness of the Group's designation of CGU's based on the nature and operation of the Group's businesses;
- Assessing management's process of compiling and preparing the cash flow forecasts, including the review and board approval of the source forecast information and key assumptions;
- In conjunction with valuation specialists we evaluated the key assumptions used in management's recoverable amount analysis, including:
  - assessing the basis for management's forecast revenue, cash flows and terminal value growth rate assumptions, including comparison to market and industry information, and consideration of historical growth trends and support for future forecast growth and cost savings;
  - evaluating the discount rate used by management for reasonableness, and undertaking sensitivity analysis on the impairment model using varied discount rates, growth projections within reasonable foreseeable ranges and comparing these to the carrying value of the net assets of each CGU.
- Assessing the independence, experience and qualifications of the valuation specialist engaged by the Group to assist with and review the impairment analysis.
- Assessing the appropriateness of the disclosures in Notes 2 and 13.



## 2. Capitalisation of product development costs

### Why significant

As at 30 June 2023 the carrying value of capitalised product development costs (net of accumulated amortization, and a current year impairment charge of \$7.59m) was \$2.56m (30 June 2022: \$11.16m) as outlined in Note 13.

During the year, the group capitalised \$2.91m of costs relating to product development. These intangible assets are being amortised over their finite life of five years.

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

The capitalisation of product development costs is a key audit matter due to the material nature of costs capitalised, and the subjectivity and management judgement applied in assessing whether costs meet the development phase criteria described in AASB 138.

### Other Information

The Directors are responsible for the other information. The other information comprises the information included in the consolidated entity's Annual Report, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Other Matter

The financial report of FirstWave Cloud Technology Limited for the year ended 30 June 2022 was audited by another auditor who expressed an unmodified opinion on that report on 30 August 2022.

### How our audit addressed the key audit matter

Our work included, but was not limited to, the following procedures:

- Assessing the group's accounting policy in respect of product development costs for compliance with 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 to obtain an understanding of the nature and feasibility of key projects;
- Testing a sample of costs capitalised by tracing to underlying support, including timesheets, employment contracts, payroll reports, and invoices from external suppliers and assessing whether the expenditure was attributable to the development of the assets;
- Assessing the reasonableness of the useful lives attributed to capitalised development costs and whether amortisation expense was recorded based upon the assigned useful lives; and
- Reviewing the disclosures in Notes 2 and 13 to the financial statements relating to intangible assets.



### Directors' Responsibilities 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 consolidated entity'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 consolidated entity 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 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the consolidated entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the group financial report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2023. 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.

#### Opinion

In our opinion, the Remuneration Report of FirstWave Cloud Technology Limited for the year ended 30 June 2023 complies with section 300A of the *Corporations Act 2001*.

#### PKF BRISBANE AUDIT

A handwritten signature in blue ink, appearing to read 'S Lindemann', is positioned above the printed name.

SHAUN LINDEMANN  
PARTNER

BRISBANE  
30 AUGUST 2023

# Shareholder information

30 June 2023

The shareholder information set out below is applicable as at 11 October 2023.

## Distribution of equitable securities

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

	Ordinary shares	
	Number of holders	% of total shares issued
1 to 1,000	102	0.00%
1,001 to 5,000	21	0.00%
5,001 to 10,000	43	0.02%
10,001 to 100,000	776	1.96%
100,001 and over	865	98.02%
	<b>1,807</b>	<b>100%</b>
Holding less than a marketable parcel	149	0.02

## 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
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	217,282,773	12.76%
SUPER FLI PTY LTD <SUPER FLI SUPERFUND A/C>	201,233,570	11.81%
CITICORP NOMINEES PTY LIMITED	52,216,570	3.07%
ERIC HAROLD GREENWOOD	51,566,002	3.03%
DANIEL PATRICK MAHER <TRUST FLI A/C>	50,922,171	2.99%
SAISEI NETWORKS INC	40,571,428	2.38%
INU SANGYO PTY LTD	28,789,750	1.69%
NEW INSIGHTS AUSTRALIA PTY LTD	24,459,594	1.44%
INDIGENOUS CAPITAL LIMITED	20,069,990	1.18%
TIMOTHY FRANKLIN <THE GROWTH PARTNERS A/C>	19,523,897	1.15%
MR SCOTT LIDGETT & MRS KATHERINE LIDGETT <LIDGETT SUPER FUND A/C>	17,470,147	1.03%
MR DAVID ROTHWELL	16,892,501	0.99%
MR GREGORY VYTAS MAREN & MRS GERALDINE MARGARET MACLEAN MAREN <MAREN SUPER FUND A/C>	16,316,718	0.96%
ROGER ALLEN AND MAGGIE GRAY PTY LIMITED	13,789,796	0.81%
RPA PROPERTIES PTY LTD	13,394,875	0.79%
BRUXNER PACIFIC PTY LTD	12,994,576	0.76%
G & L PRIOR PTY LTD <PRIOR SUPER FUND A/C>	12,000,000	0.70%
KEEVA SPEYER	11,400,741	0.67%
PATAGORANG SUPERANNUATION PTY LTD <ROGER ALLEN SUPER A/C>	10,714,286	0.63%
EREMITE PTY LTD <JAMIESON FAMILY A/C>	10,419,440	0.61%
	<b>842,028,825</b>	<b>49.43%</b>

## Unquoted equity securities

	Number on issue
Options over ordinary shares	19,832,667
Share rights over ordinary shares	81,240,851

## Substantial holders

	Ordinary shares	
	Number held	% of total shares issued
DANIEL MAHER	252,155,741	14.80%
HSBC Custody Nominees (Australia) Limited	217,282,773	12.76%

## 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.

# Corporate directory

30 June 2023

Directors	John Grant – Non-Executive Chair
	Paul MacRae – Non-Executive Director
	Euh (David) Hwang – Non-Executive Director
	Danny Maher – Managing Director
	Ray Kiley – Non-Executive Director
Company secretary	Iain Bartram
Registered office	Level 14, 132 Arthur Street North Sydney, NSW 2060 Australia
	Tel: +61 (02) 9409 7000
Share register	Automic Registry Services
	Level 5, 126 Philip Street Sydney NSW 2000 Australia
	Tel: 1300 288 664
Auditor	PKF Brisbane Audit
	Level 6, 10 eagle Street Brisbane, QLD 4000
Stock exchange listing	FirstWave Cloud Technology Limited shares are listed on the Australian Securities Exchange (ASX code: FCT)
Website	<a href="http://www.firstwave.com">www.firstwave.com</a>
Corporate Governance Statement	<p>The directors and management are committed to conducting the business of FirstWave Cloud Technology Limited in an ethical manner and in accordance with the highest standards of corporate governance. FirstWave Cloud Technology Limited has adopted and has substantially complied with the ASX Corporate Governance Principles and Recommendations (Fourth Edition) ('Recommendations') to the extent appropriate to the size and nature of its operations.</p> <p>The consolidated entity's Corporate Governance Statement, which sets out the corporate governance practices that were in operation during the financial year and identifies and explains any Recommendations that have not been followed and ASX Appendix 4G are released to the ASX on the same day the Annual Report is released. The Corporate Governance Statement and Corporate Governance Compliance Manual can be found on the company's website at <a href="http://www.firstwavecloud.com/shareholder-centre">www.firstwavecloud.com/shareholder-centre</a>.</p>

# **FirstWave**

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*[www.firstwave.com](http://www.firstwave.com)*

Firstwave Cloud Technology Limited  
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