

First Wave Technology Pty Ltd

ABN 99 098 940 544

Registered Office:

755 Hunter Street
Newcastle NSW 2300

Business Address:

Suite 1402, Lvl 14
132 Arthur Street
North Sydney NSW 2060



INTERIM FINANCIAL STATEMENTS

For the half year ended 31 December 2015

First Wave Technology Pty. Limited.

ABN: 99 098 940 544

Financial statements for the half-year ended 31 December 2015

	Page
Table of contents	
Statement of profit or loss and other comprehensive income	3
Statement of financial position	4
Statement of changes in equity	5
Statement of cash flows	6
Notes to the financial statements	7
Directors' declaration	11
Independent auditors' review report	12

Approval of financial statements

These financial statements were approved by the board of directors and authorised for issue on 23 March 2016.

Statement of profit or loss and other comprehensive income

For the half-year ended 31 December 2015

	Notes	Half year to 31 Dec 2015 \$
Sales revenue	5	2,599,283
Cost of sales		<u>(873,325)</u>
Gross profit		1,725,958
Other revenue		120,552
Sales & marketing expenses		(1,098,394)
Engineering and development expenses		(611,217)
General & administrative expenses		(1,714,081)
Finance costs		<u>(59,757)</u>
Profit / (Loss) before tax		(1,636,939)
Income tax benefit / (expense)		<u>45,750</u>
Profit / (Loss) for the year from continuing operations		(1,591,189)
Other comprehensive income:		
<i>Items that will not be reclassified subsequently into profit and loss:</i>		-
Total comprehensive income for the half-year		<u>(1,591,189)</u>

First Wave Technology Pty. Limited.

ABN: 99 098 940 544

Statement of financial position

As at 31 December 2015

	Notes	31-Dec-15 \$
ASSETS		
Current assets		
Cash and cash equivalents	6	1,093,142
Trade and other receivables	7	1,335,483
Share monies receivable		-
Work in progress	8	616,671
Other assets	9	431,626
		3,476,922
Non-current assets		
Property, plant & equipment	16a	184,642
Intangible assets	16b	1,893,756
Deferred tax assets		466,236
Other assets	9	466,246
		3,010,880
Total assets		6,487,801
LIABILITIES		
Current liabilities		
Loans	15	153,127
Trade payables	11	592,979
Other payables	12	792,986
Income in advance	13	644,021
Provisions	14	344,018
		2,527,131
Non-current liabilities		
Deferred tax liability		448,162
Loans	15	871,701
Income in advance	13	881,829
Provisions	14	62,673
		2,264,365
Total liabilities		4,791,496
Net assets		1,696,305
<i>Equity</i>		
Share capital	10	5,837,261
Share option reserves		237,966
Retained earnings		(4,378,922)
Total equity		1,696,305

First Wave Technology Pty. Limited.

ABN: 99 098 940 544

Statement of Changes in Equity

For the half-year ended 31 December 2015	Issued Capital \$	Share Option Reserve \$	Retained Earnings \$	Total Equity \$
Balance At 01 July 2015	4,436,261	237,966	(2,787,733)	1,886,494
Profit / (Loss) for the period	-	-	(1,591,189)	(1,591,189)
Other Comprehensive Income for the period	-	-	-	-
Total Comprehensive Income for the period	-	-	(1,591,189)	(1,591,189)
Transactions with owners in their capacity as owners:	-	-	-	-
Issue of share capital net of transaction costs	1,401,000	-	-	1,401,000
Balance At 31 December 2015	5,837,261	237,966	(4,378,922)	1,696,305

First Wave Technology Pty. Limited.

ABN: 99 098 940 544

Statement of cash flows

For the half-year ended 31 December 2015

	Notes	1\$
Cash flows from operating activities		
Receipts from customers		2,471,203
Payments to suppliers and employees		(3,978,493)
Interest received		12,612
Net cash from operating activities		<u>(1,494,678)</u>
Cash flows from investing activities		
Purchases of property, plant & equipment		(62,849)
Investments in intangible assets		(361,138)
Net cash from investing activities		<u>(423,987)</u>
Cash flows from financing activities		
Proceeds from share issue		3,000,000
Share issue costs		(234,000)
Interest paid		(59,757)
Repayment of finance lease		(83,691)
Net cash from financing activities		<u>2,622,552</u>
Net increase / (decrease) in cash and cash equivalents		703,887
Cash and cash equivalents at beginning of the half year		389,255
Cash and cash equivalents at end of the half-year	6	<u><u>1,093,142</u></u>

1. Nature of operations

Firstwave Technology Pty Limited is a limited liability company ("the company") incorporated in Australia. The company's principal business activities are the development and sale of internet security software and related professional services to business and enterprise.

2. General information and basis of preparation

The condensed interim financial statements ('the interim financial statements') of the Company are for the six (6) months ended 31 December 2015 and are presented in Australian Dollar (\$AUD), which is the functional currency of the Company. These interim financial statements have been prepared in order to meet the needs of the Members, and are therefore not in accordance with the requirements of the Corporations Act 2001. Whilst these interim financial statements have been prepared in accordance with the recognition and measurement requirements specified by the Australian Accounting Standards and Interpretations, the disclosures are not in accordance with the requirements of AASB 134 Interim Financial Reporting. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards, and should be read in conjunction with the financial statements of the Company for the year ended 30 June 2015. No comparative financial information has been presented on the basis that the Members do not require this information to be included.

The interim financial statements have been approved and authorised for issue by the Board of Directors on 23 March 2016.

3. Significant accounting policies

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the Company's last annual financial statements for the year ended 30 June 2015. The accounting policies have been applied consistently throughout the Company for the purposes of preparation of these interim financial statements.

4. Estimates

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Company's last annual financial statements for the year ended 30 June 2015.

First Wave Technology Pty. Limited.
ABN: 99 098 940 544

	Half year to 31 Dec 2015 I\$
5. Revenue	
Licensing Income	1,483,144
Support Income	336,000
Professional Services Income	780,139
	<u>2,599,283</u>
	31-Dec-15 I\$
6. Cash and cash equivalents	
Cash on hand	1,000
Cash at bank	1,092,142
	<u>1,093,142</u>
7. Trade and other receivables	
Trade debtors	1,166,746
Other debtors	22,747
Income tax receivable	145,990
	<u>1,335,483</u>
8. Work in progress	
Accrued income	592,585
Debtors - professional services	24,086
	<u>616,671</u>
9. Other Assets	
<i>Current</i>	
Prepayments	384,866
Term Deposits - Security for bank guarantee	46,310
Deposits & Payment in Advance	450
	<u>431,626</u>
<i>Non-Current</i>	
Prepayments	466,245
	<u>466,245</u>
10. Share capital	Half year to 31 Dec 2015
As at the beginning of the half-year	4,436,261
Shares issued during the half-year (net of transaction costs)	1,401,000
As at the close of the period	<u>5,837,261</u>
<i>(83,030,252 Ordinary shares each fully paid)</i>	

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

	31-Dec-15
	\$
11. Trade payables	
Trade payables	592,979
Sundry creditors, no amounts due to related parties	-
	<u>592,979</u>
12. Other Payables	
Accrued Expenses	157,034
Payroll Tax	12,088
Fringe Benefits Tax	-
ATO payables	112,380
Superannuation payable	92,195
Lease Liabilities	13,919
Provision for Staff Bonuses	310,033
Provision for License - Ironport	95,337
	<u>792,986</u>
13. Income in advance	
Current	
Income in advance	436,078
Deferred R&D Income	207,943
	<u>644,021</u>
Non-Current	
Income in advance	425,979
Deferred R&D Income	455,850
	<u>881,829</u>
14. Provisions	
Current	
Provision for LSL - Current	149,577
Provision for Annual Leave	194,441
	<u>344,018</u>
Non Current	
Provision for LSL - Non Current	62,673
	<u>62,673</u>
15. Loans	
Current	
Cisco finance loan	127,511
Insurance liability	5,703
Accrued Interest	19,913
	<u>153,127</u>
Non-current, Unsecured	
Convertible Notes	647,126
Non-current, Secured	
Hire purchase loans	224,575
	<u>871,701</u>

First Wave Technology Pty. Limited.
ABN: 99 098 940 544

16a. Property, Plant & Equipment at 31 December 2015

	IT Equipment \$	Other Equipment \$	Leasehold Improvements \$	Website \$	Furniture & Fittings \$	Total \$
Gross carrying amount						
Balance 1 July 2015	570,892	214,621	13,445	11,557	14,915	825,430
Additions	64,823	19,724	-	-	-	84,547
Disposals	-	-	-	-	-	-
Balance 31 December 2015	635,715	234,345	13,445	11,557	14,915	909,977
Depreciation and impairment						
Balance 1 July 2015	473,285	212,074	341	8,850	9,087	703,637
Disposals	-	-	-	-	-	-
Depreciation	19,812	899	168	294	525	21,697
Balance 31 December 2015	493,097	212,973	509	9,144	9,612	725,335
Carrying amount 31 December 2015	142,618	21,372	12,936	2,413	5,303	184,642

16b. Intangible Assets at 31 December 2015

	Acquired software licenses \$	Internally developed software \$	Total \$
Gross carrying amount			
Balance at 1 July 2015	62,666	6,576,693	6,639,359
Additions	7,622	361,138	368,760
Balance at 31 December 2015	70,288	6,937,831	7,008,119
Amortisation and impairment			
Balance at 1 July 2015	12,535	4,822,380	4,834,915
Amortisation	10,900	268,548	279,448
Impairment losses	-	-	-
Disposals	-	-	-
Balance at 31 December 2015	23,435	5,090,928	5,114,363
Carrying amount 31 December 2015	46,853	1,846,903	1,893,756

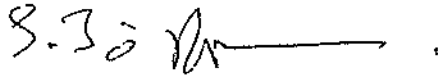
First Wave Technology Pty Ltd
ABN 99 098 940 544
Directors' Declaration

The Directors have determined that the Company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies described in Note 3 to the financial statements.

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 3 to 10, present fairly the financial position as at 31 December 2015 and of the performance for the half-year period ended on that date of the Company in accordance with the accounting policies described in Note 3 to the financial statements; and
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Director
Steve O'Brien

Dated this 23rd day of March 2016

Level 17, 383 Kent Street
Sydney NSW 2000

Correspondence to:
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Review Report To the Members of First Wave Technology Pty Ltd

We have reviewed the accompanying half-year financial report of First Wave Technology Pty Ltd ("Company"), which comprises the statement of financial position as at 31 December 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies, other explanatory information and the directors' declaration.

Directors' responsibility for the half-year financial report

The directors of First Wave Technology Pty Limited are responsible for the preparation and fair presentation of the half-year financial report and have determined that the accounting policies used and described in note 3 to the financial report are appropriate to meet the needs of the Members. This responsibility includes such internal controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report does not comply with Accounting Policies as described in note 3. As the auditor of First Wave Technology Pty Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation. Liability is limited in those States where a current scheme applies.

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

Independence

In conducting our review, we have complied with the applicable independence requirements of the Accounting Professional and Ethical Standards Board.

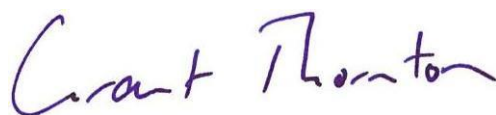
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of First Wave Technology Pty Limited does not:

- a present fairly the Company's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- b comply with Accounting Policies as described in note 3.

Basis of accounting

Without modifying our opinion, we draw attention to note 2 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the needs of the Members. As a result, the financial report may not be suitable for another purpose.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



C F Farley
Partner - Audit & Assurance

Sydney, 23 March 2016