



# 2018 ANNUAL REPORT

YEAR ENDED 31 DECEMBER 2018

# Our mission is to safeguard business information. Dropsuite helps businesses stay in business.

Dropsuite is a Cloud based software platform that enables SMEs to easily backup, recover and protect their business information.

We do this through a network of reseller partners who have a combined reach of millions of SMEs worldwide.

 **Dropsuite**



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# CORPORATE DIRECTORY

## DIRECTORS

Theo Hnarakis (Non-Executive Chairman)  
 Charif Elansari (Managing Director)  
 Dr Bruce Tonkin (Non-Executive Director)

## COMPANY SECRETARY

Julian Rockett

## REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Dropsuite Limited – formerly called Excalibur Mining Corporation Ltd

ABN 91 008 021 118  
 ACN 008 021 118  
 14 Emerald Terrace  
 West Perth WA 6005  
 Telephone: +61 8 9429 2900  
 Facsimile: +61 8 9486 1011  
 Website: [www.dropsuite.com](http://www.dropsuite.com)

## SHARE REGISTRY

Automic Pty Limited  
 Level 3  
 50 Holt Street  
 Surry Hills NSW 2010

## AUDITOR

Greenwich and Co Audit Pty Ltd  
 Level 2  
 35 Outram St  
 West Perth, WA 6005

## STOCK EXCHANGE LISTING

Dropsuite Limited shares are listed on the Australian Securities Exchange	ASX code	FPO	DSE
	DSE	Option	





## CHAIRMAN'S LETTER

Dear Shareholders,

On behalf of the Board of Directors of Dropsuite Limited, I am pleased to present you, our stakeholders, with the 2018 Annual Report.

We began the year with excellent momentum, underpinned by the growth of established customers and new customers deploying our cloud-based backup software to their end users. This has led to Dropsuite steadily building its Annualised Recurring Revenue (ARR) base, an appropriate measure for a growing Software as a Service (SaaS) business.

Many relatively young emerging SaaS businesses encounter challenges from time to time, and Dropsuite is no exception. We have strong conviction that we will overcome these challenges, and in fact, it motivates management to be even more innovative in creating a resilient and successful enterprise.

Some of our challenges included one of our large foundation customers commencing, in April 2018, the migration of their customers away from their Dropsuite-powered product to their own technology offering. Another occurred in June, when our South American partner, Brazil's largest online content and digital services company, quickly opted out a large number of users at short notice.

These are well-documented events but the key takeout is that Dropsuite has emerged as a much stronger and dependable business for its partners and customers.

Furthermore, we have continued to make great progress signing new customers, diversifying revenue sources and strengthening the product suite. We are rapidly de-risking the Company's revenue base, so the ARR comprises of revenue contributions from a wider spread of quality partners and robust products.

As a result of this focus, we have drastically reduced cash burn and EBITDA losses while growing ARR and the new business pipeline. For this, our hard-working management team are to be commended.

We are operating in a large addressable market where the upside for growth is very significant due in part to the forever growing and changing threats associated with cybersecurity and the burgeoning need for regulation compliance. We have repeatedly shown that we can punch above our weight in terms of the calibre of partners that we secure and the quality and resilience of the products we bring to market.

We are buoyed by the opportunities at our disposal to expand Dropsuite's global footprint with a renewed focus on OECD countries.

Looking ahead, we expect to continue meeting, and indeed exceeding, all key performance indicators, investing in product development and new product features that will continue to position Dropsuite as a true market leader that secures critical business data in the cloud.

In closing, I would like to commend our Chief Executive Officer Charif Elansari and our tight-knit team of employees for their unwavering commitment in 2018. You can be assured that your Board actively reviews and assesses the initiatives and strategies of management to ensure our products and services deliver the best outcomes for you, our shareholders.

Lastly, I want to once again thank shareholders for maintaining confidence in your company and we are well placed for the year ahead and beyond. I am confident that Dropsuite will continue to play a significant role in the data protection industry with its industry-leading product offerings for some time to come.

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'THN', with a long horizontal line extending to the right.

Theo Hnarakis

Chairman



## MANAGING DIRECTOR'S REPORT

Dear Fellow Shareholders and Employees,

It is my privilege to be writing my third annual letter to you, our shareholders and stakeholders.

In a world that is ever more reliant on digital information and communications, Dropsuite's mission, to safeguard information thus helping businesses stay in business, has never been more prescient and remains unchanged.

We expect that the business of data defense to only grow in prominence in the years to come. We live in an increasingly vulnerable digital world, yet our prosperity depends on a knowledge-based economy that can only thrive with a free and secure exchange of all forms of data and information.

With this in mind, I am pleased to provide you with the operational review for the 2018 Annual Report as well as outline our strategy going forward. We ended the year with solid top-line growth, a narrowing of our EBITDA loss, a strong surge in satisfied partners including some of the biggest names in the IT world, and a larger, more diverse and experienced team spread out in eight countries.

### OUR FINANCIAL PERFORMANCE

#### REVENUE

**\$5.22M**

+104%

#### GROSS MARGIN

**77%**

-0.8%

#### OPEX

**\$4.98M**

+29%

#### EBITDA\*

**(\$0.98M)**

+48%

#### CASH

**\$3.5M**

+30%

#### DEBT

**\$0**

0%

\*Underlying

Revenue has grown by more than 100% for 4 consecutive years. The company has been especially focused on Email Backup and Archiving in 2018, which grew by more than 40x from December 2017 to December 2018. It is important to note that close to 100% of the company's revenue is recurring as applicable to most Software-as-a-Service (SaaS) providers.

While revenue doubled year on year, operating expenditure (OPEX) grew only 29% during the same period, reducing the underlying EBITDA loss by half, and Net Loss before Tax reduced by 33%. It is important to note that staff wages (30 employees) make up 68% of total OPEX with the remainder being mostly spent on marketing, travel, IT and insurance expenses.

	2015	2016	2017	2018	YOY (%)
REVENUE	295,418	1,381,939	2,561,611	5,218,418	104%
COGS	(246,307)	(337,656)	(577,717)	(1,216,259)	111%
GROSS MARGIN	49,111	1,044,283	1,983,894	4,002,159	102%
GM%	17%	76%	77%	77%	-1%
EXPENSES	(1,036,043)	(2,785,651)	(3,871,967)	(4,983,274)	29%
EBITDA LOSS	(986,932)	(1,741,368)	(1,888,073)	(981,115)	-48%
as a % of Revenue	-334%	-126%	-74%	-19%	

Cash receipts from sales also doubled year on year and cash burn was down by 64%, closing cash as of Dec 31, 2018 was \$3.5M.

The balance sheet remains healthy with low balances in accounts receivables and payables, and zero debt.

## **OUR OPERATIONAL OVERVIEW**

Dropsuite's Cloud platform allows businesses to easily backup, archive, discover and recover their data to protect themselves from all forms of data loss and to help them comply with privacy regulations. Provisioning, onboarding, user management and billing happens seamlessly through our partners who have at their disposal Dropsuite's APIs and plug-ins to integrate the Dropsuite backup software into their infrastructure. In 2018, Dropsuite has been especially focused on building its new product offerings to backup and archive email and email applications, while growing the relevant sales channels. The total serviceable market is massive (in the billions of dollars) and the combination of cyber threats and increase in regulation only means that this market will continue to grow.



Our growth strategy comprises four main pillars and we hereby report traction in FY2018:

(1) Growth Through Global Reseller Partnerships

Dropsuite has doubled its revenue generating partners in 2018, grew its sales funnel (leads and opportunities) and expanded channel coverage with several key partnerships, of notable mention:

- UOL: The largest online content and digital services company in Brazil
- PAX8: A leader in cloud distribution in the North America
- ALSO: Leading B2B marketplace in Europe
- GIACOM: UK's largest cloud marketplace for managed service providers
- TARSUS: One of South Africa's leading cloud enablement partners

This expansion took place with minimal sales and marketing budgets and our brand recognition in the distributor and managed service provider (MSP) channel grew from <5% in late 2017 to ~30% in late in 2018.

(2) Diversify Revenue and Boost Average Revenue Per User (ARPU)

Email Backup and Archiving Revenue grew by 40x from Dec'17 to Dec'18 and the revenue mix from email backup and archiving increased from 1% to 30% during the same period. Top 10 partner revenue contribution continued to decline vs. 2017, down by 7% and we expect this trend to continue in 2019. It is important to note that ARPU from products sold via Cloud distributors and Managed Service Providers to larger SME (10-200 employees) and mid-Enterprise (200-1000s of employees) users is greater than 2x that of Dropsuite products sold through our hosting partners to micro businesses (less than 10 employees).

(3) Continuous Product Innovation and Differentiation with Scalable Technology

Dropsuite Cloud-based software is built to be global, scalable, secure and differentiated. In FY2018, Dropsuite scaled a new email backup and archiving platform to process billions of objects per day and released the full Microsoft O365 solution (Email, OneDrive, SharePoint and Teams/Groups). The product was localised in 6 new languages with data centres now available in 9(including 3 new) locations catering to data sovereignty concerns in all key markets served. The Insights and Analytics module was launched in 2018 to add solid differentiation vs. the competition and this has been well received by existing and prospective partners. Dropsuite now leverages (Big) Data to present more actionable business intelligence to partners and users.

(4) Increase Sales Through Existing Partners

As Dropsuite increased its partner-base, monetisation efforts intensified by the sales team. The company saw 3 new entrants in top 10 revenue contributing partners. More work in account management is being undertaken to propel further growth.

However, Dropsuite did encounter two challenges in FY2018 that were reported on the ASX throughout the year. Dropsuite experienced massive growth from one partner in South America from a marketing campaign to their existing customer base, who then de-activated a large portion of their paying user-base. This IT Service Provider continues to be a valuable partner and its paying user-base is stable with low churn. Furthermore, a major US partner opted to start migrating a significant portion of their website backup customer base to their own platform.

Dropsuite has been successfully managing the impact from these challenges through the ramp up of existing partnerships, adding new partners that make immediate contributions to ARR, and diversifying the product suite.

### **KEY ATTRIBUTES SETTING DROPSUITE APART**

With the doubling of our revenue generating partners year-on-year, it is important to reflect on the key attributes that set our Cloud backup platform apart from the competition.

**Best-in-Class User Experience:** We constantly hear this from our partners and we see it in IT forums, our backup platform wins the day for its simple and intuitive user interface that is also packed with useful and powerful features, including email insights and analytics. The product experience and features are not just appealing to IT admins or compliance officers, but also to business managers who can easily search through years of email data, and also find out how responsive their teams are to emails or if their workload is getting out of control.

**Best-in-Class Partner Experience :** IT Service Providers want to roll out and sell software solutions that are not just appealing to the end user. Partners demand a seamless user experience throughout the sales and support cycle. They require secure solutions that integrate with their infrastructure, hence streamlining the provisioning, billing and support of software that they deploy and sell. Dropsuite ticks all the boxes and more, also providing modularity and built-in customization allowing partners to define their end-user experience (e.g. select which features they want to offer) with just a few clicks.

### **FAVOURABLE MACRO DRIVERS**

Our world economy runs on information and knowledge, mostly living in digital format. The cost of losing data, and more recently breaching data protection regulation, to any organisation continues to escalate.

## Cybersecurity & Data Loss Threats

We are living in a “new-normal” of recurring cybersecurity threats - including ransomware, malware and data theft - that have gotten ever-more pervasive in 2017 and, to date, we have not seen this threat abating despite mind-boggling growth in cybersecurity products / solutions from new and established companies. Why is that? Because we are witnessing a perpetual arms-race between the cybersecurity professionals vs. the cyber criminals who stand to handsomely profit when they are successful. Add to that, the unfortunate fact that the majority - 62% - of breaches and data loss occur through human error (91% of sophisticated cyber-attacks start through email!). Data backup, the process of making data redundant and recoverable in a separate and secure location, when done properly, remains the most assured method to ensure an organisation data is fully protected. And combining data backup with good security software and recurring staff cyber-security awareness training/vigilance is the best defense against cybersecurity threats.

## Tightening Regulatory Environment

Add to that, the growing regulation around data protection. In addition to the more than decade old data compliance in industries such as finance and healthcare, new regulation that encompasses all industries and verticals has come into play. The European Union (EU) has led the way with the General Data Protection Regulation (GDPR) that has been in effect since May 2018, and more countries are following suit. The bar for protecting personal data has never been higher. The balance of power is shifting in favour of the consumer/user and now. In the EU, the user can request from any service provider a copy of their data, and even ask that their personal data be deleted from the provider's records (the right to be forgotten) , among others. Complying with such regulation will not be easy (Dropsuite has been GDPR compliant since May 2018). Service providers residing in the EU, or doing business with consumers in the EU, are now required to fully comply with those regulations: Not only are they required to protect users' data and seek explicit permission to use their data, but also to quickly identify/classify personal information and to make it available - give it back or delete it - for the user when or if required.

## IT Providers' Economical Pressures

The shift of many IT services from on-premise to the Public Cloud - Email (Office 365), Customer Relationship Management (Salesforce), various data repositories (Dropbox), has disrupted many traditional on-premise IT Service Providers' margin streams who are now evolving their services and value proposition to reflect this reality. For the successful ones, offering full Cloud solutions (e.g. email + security + backup as one bundle) provides what the customer really needs, but also creates recurring/predictable revenue streams for the IT Service Providers that would be critical to their future success.

In line with the aforementioned factors above, we believe that the demand for robust and compliant data backup platforms will only grow as businesses expand their digital footprint and require easy-to-use, secure and affordable solutions to protect them, not only from cyber security threats but from human errors, system vulnerabilities and ever-growing regulations.

These trends augur well for Dropsuite whose mission is to simplify data protection and compliance for businesses so that they can focus on what they do best.

## **OUR OUTLOOK**

These trends augur well for Dropsuite whose mission is to simplify data protection and compliance for businesses so that they can focus on what they do best.

- Further monetisation of existing partners in the Americas, Europe and Australia.
- Sales pipeline in great shape and we are in advanced negotiations with various new partners that will contribute strongly going forward.
- Ongoing product enhancements to bolster appeal in regulated industries – Including compliance tools combined with organisation user insights and analytics.
- Continued de-risking and diversification of the revenue base with exponential growth in Email Backup and Archiving.
- Further focus on larger size end clients especially with the aforementioned product enhancements.
- Migration by the Company's largest website backup Partner to be counteracted by increasing Partner numbers and growing Paid Users of Email Backup and Archiving.

In summary, we continue to be optimistic about our business prospects and determined to continue delivering on the Dropsuite mission and growth story.

Finally, I'd like to extend my heartfelt appreciation to Dropsuite's employees, customers, and Board for their commitment and passion to advance this company forward. Thank you for the opportunity to earn your confidence and trust.

Sincerely,



**Charif Elansari**

Managing Director

## **Directors' Report**

Your directors submit the financial report of Dropsuite Limited ('Company') and its controlled entities ('Group' or 'Dropsuite') for the year ended 31 December 2018.

### **Directors:**

The names of directors who held office during the year and up to the date of this report:

Theo Hnarakis	Non-Executive Chairman
Charif El Ansari	Managing Director
Bruce Tonkin	Non-Executive Director

### **Principal Activity:**

Dropsuite's Cloud platform allows businesses to easily backup, archive, discover and recover their data to protect themselves from all forms of data loss and to help them comply with privacy regulations. Provisioning, onboarding, user management and billing happens seamlessly through our partners who have at their disposal Dropsuite's APIs and plug-ins to integrate the Dropsuite backup software into their infrastructure.

Dropsuite's engineering team has developed the backup technology on a state-of-the-art software architecture that is both modular and scalable. Dropsuite's software platform has been built for successful horizontal scaling and has demonstrated strong ability to scale to hundreds of thousands of users worldwide.

Dropsuite's current products include:

#### **Dropsuite Website Backup:**

- Cloud-based website and database backup and monitoring service that allows website owners to automatically backup their website files and databases, monitor website availability and performance worldwide, and restore lost or corrupted data with a single click

#### **Dropsuite Email Backup and Archiving:**

- Cloud-based email backup and archiving solution that helps SMEs securely backup, manage, recover, comply and protect their email data. The solution simplifies provisioning and managing email backup and archiving. The user interface provides anywhere access to view, search, migrate, download and restore emails and file attachments

#### **Dropsuite for Office 365:**

- Complete backup and archiving solution for Microsoft's fast growing O365 suite of products, including Sharepoint ,One Drive and Teams/Groups.

#### **Reseller Provisioning Platform:**

- Comprehensive platform that allows reseller partners to customize, provision and support their users on the Dropsuite platform. Partners can either fully integrate Dropsuite products into their infrastructure hence streamlining all aspects of user management or utilize this reseller platform as a stand-alone/self-serve tool to manage their users.



**Operating Results:**

**The financial results for the year**

The financial results for the year include expenses for the build of operations infrastructure and market growth activities.

The operating loss after income tax of the consolidated group for the year ended 31 December 2018 was \$1,456,949 and the prior year loss after tax was \$2,175,919.

**Review of Operations**

Dropsuite aims to simplify the backup experience for SMEs by providing users with an easy-to-use, unified platform that enables them to backup their key business information.

Dropsuite's service is already deployed to users globally, in multiple languages.

Dropsuite deploys military-grade encryption to protect user data and AES (Advanced Encryption Standard) 256-bit encryption, at rest and in transit, as well as Secure Sockets Layer (**SSL**) endpoints.

Dropsuite's technology has all been built in-house under the supervision of its CEO, Charif Elansari, who previously held senior roles at Google and Dell, and co-led by a core team of cloud computing veterans including Ronald Hart (Chief Technology Officer) and Ridley Ruth (Chief Operating Officer).

Dropsuite's Cloud-based suite of backup solutions has been built to scale from the smallest to the world's largest Partners by leveraging the latest in Cloud technology as well as a state-of-the-art unique horizontal scaling architecture. The result is a platform that can scale on demand at a very low-cost point with the ability to bring systems online dynamically during peak load hours. Dropsuite's Cloud backup system is deployed worldwide allowing the backed-up data to remain in the Partner's region of choice as well as providing the shortest network hops to reach their data resources.

*Dropsuite Website Backup*

Dropsuite Website Backup is a Cloud-based website (and database) backup and monitoring service that allows website owners to automatically backup their website files and databases, monitor website availability and performance worldwide, and restore lost or corrupted data with a single click.

This product's unique data granularity allows the end users to access to download/restore single files instantaneously as well as selected directories or the entire site all in a simple to use backup manager.

Features include:

- Secure self-service backup with one-click restoration / migration for databases and websites
- Restore files from any point in time (up to 30 versions)
- Track, Review and manage file revision history
- End-to-end 256 bit AES encryption
- Easy-to-use web-based interface and file browser
- Backup Data is accessible a from any device / location with an internet connection
- Automated cloud backups ideal for business continuity and disaster recovery
- Central point of management via admin panel

# DROPSUITE LIMITED

## DIRECTORS' REPORT

For the year ended 31 December 2018

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### *Dropsuite Email Backup and Archiving*

Dropsuite Email Backup and Archiving is a Cloud-based email backup and archiving solution that helps SMEs and even consumers securely backup, manage, recover and protect all of their email data. This product simplifies securing and managing email continuity for businesses and even consumers. The user interface provides anywhere access to view, search, migrate, download and restore emails and file attachments. The very recent launch of Insights and Analytics uses Big Data to provide actionable insights to business owners as well as our partners

Features include:

- Automated Incremental Email Backup & Archiving
- Central point of management through an admin panel
- Download, Restore & Migrate emails with One Click
- End to end 256 bit AES encryption
- Ideal for compliance and business continuity
- Admin Panel and Multiple User Access Manager
- Viewable from any device / location
- Advance Search, eDiscovery, and Alert creations
- Unlimited storage & retention period

### *Dropsuite for Office 365*

Dropsuite for O365 is a complete Cloud-based backup and archiving solution that especially built for Microsoft Office 365. it securely backup, manage, recover, comply and protect all of their O365 data including One Drive, Sharepoint and Groups/Teams. The product uniquely provides a single pane of glass throughout the O365 suite of products. The very recent launch of Insights and Analytics uses Big Data to provide actionable insights to business owners as well as our partners Features include:

- Automated Incremental Email Backup & Archiving
- Central point of management through an admin panel
- Download, Restore & Migrate emails with One Click
- End to end 256 bit AES encryption
- Ideal for compliance and business continuity
- Admin Panel and Multiple User Access Manager
- Viewable from any device / location
- Advance Search, eDiscovery across O365 suite of products
- Unlimited storage & retention period

### **Financial position**

The net assets of the consolidated group have decreased by \$1,329,580 from 31 December 2017 to \$4,955,301 as at 31 December 2018. This decrease was largely due to the cash outflow for operating activities.

The directors believe the consolidated entity is in a stable financial position and able to expand and grow its current operations.

**DROPSUITE LIMITED****DIRECTORS' REPORT**

For the year ended 31 December 2018

**Capital Structure and Performance Shares**

Capital structure	Number of securities on issue
<b>SHARES</b>	
Shares on issue 1 January 2018	480,247,200
Issue of Shares under the Public Offer	-
Performance shares exercised	-
<b>TOTAL SHARES on Issue 31 December 2018 (i)</b>	<b>480,247,200</b>
<b>OPTIONS</b>	
Options on issue 1 January 2018	<b>20,000,000</b>
Options lapsed during the year	20,000,000
<b>TOTAL OPTIONS as at 31 December 2018</b>	<b>-</b>

- (i) 253,191,747 ordinary shares were released from escrow on the 29 December 2018 being the date that is 24 months from the date the company's reinstatement to official quotation. There was no change to total shares on issue as at December 2018 as the escrowed shares were issued on the date for the reinstatement to official quotation in December 2016.

<b>PERFORMANCE SHARES</b>	
Opening Performance Shares on issue	32,866,666
Correcting number of performance shares on issue Class E(i)	(750,000)
Correcting number of performance shares on issue Class F(i)	(750,000)
Performance Shares Exercised	-
<b>TOTAL PERFORMANCE SHARES</b>	<b>31,366,666</b>

- (i) ASX announcement 08/01/2019 clarification on the number of performance shares on issue for Class E and Class F

Each performance security, upon conversion, is equivalent to one Dropsuite Ltd fully paid ordinary share. The number of performance share and the specific performance share obligation (milestones) are itemised below:

1,500,000 Class A Performance Shares - A Performance Share Milestone will be taken to have been satisfied upon Dropsuite achieving audited gross revenue from AAG signed distributors or sales

# DROPSUITE LIMITED

## DIRECTORS' REPORT

For the year ended 31 December 2018

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representatives under the master distribution agreement of \$15,000 or more per month for a minimum of three consecutive months.

1,500,000 Class B Performance Shares - B Performance Share Milestone will be taken to have been satisfied upon Dropsuite achieving audited gross revenue from AAG signed distributors or sales representatives under the master distribution agreement of \$30,000 or more per month for a minimum of three consecutive months

1,500,000 Class C Performance Shares - C Performance Share Milestone will be taken to have been satisfied upon Dropsuite achieving audited gross revenue from AAG signed distributors or sales representatives under the master distribution agreement of \$60,000 or more per month for a minimum of three consecutive months

13,433,333 Class E Performance Shares - E Performance Share Milestone will be taken to have been satisfied upon Dropsuite achieving audited monthly revenues of \$300,000 or more for a minimum of three consecutive months

13,433,333 Class F Performance Shares - F Performance Share Milestone will be taken to have been satisfied upon Dropsuite achieving audited monthly revenues of \$600,000 or more for a minimum of three consecutive months.

### Significant changes in the state of Affairs

There were no significant changes in the state of affairs of the group occurred during the financial year.

### Litigation:

There is a legal action from a contractor against Dropsuite Ltd and GCP Capital Pty Ltd as mentioned in the prospectus dated 6 September 2016. GCP Capital Pty Ltd has indemnified Dropsuite Ltd for any liability and cost associated with the litigation.

### Events after the Reporting Date:

On 8 January 2019, the Company reported to the ASX that the number of performance shares were overstated by 750,000 from 14,183,333 to 13,433,333 for Class E and Class F performance shares.

On 30 January 2019, 13,433,333 ordinary shares were issued at zero cost as the milestone for Class E performance shares was achieved. This was due to Dropsuite Ltd achieving audited monthly revenues of \$300,000 or more for a minimum of three consecutive months.

On 30 January 2019, 1,500,000 Performance Rights were granted pursuant to an employee incentive grant.

### Dividends:

The Directors do not recommend payment of any dividends at this time and no dividend was paid during the period.

### Environment Issues:

The Group has minimal environmental impact. Prudent policies and procedures have been enacted with respect to commonly accepted practice on energy conversation, recycling, and other initiatives to reduce environmental impact of ongoing operations.

The related companies follow similar ethical, environmental and clinical standards.

# DROPSUITE LIMITED

## DIRECTORS' REPORT

For the year ended 31 December 2018

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### Information on directors:

#### Mr Theo Hnarakis

##### Qualifications:

##### Experience

Non - Executive Chairman (appointed 20 December 2016)

B. Accounting

Theo Hnarakis brings a wealth of experience working in the media industry and scaling Australian ASX listed technology businesses. He graduated from the University of South Australia and held senior roles with News Corporation, Boral Group, the PMP Communications group and was the Managing Director and CEO of Melbourne IT until 2013. He has also held director roles with Neulevel, a JV with US based listed company, Neustar and with Advantate, a JV with Fairfax Media.

##### Interests in shares and Options

##### Other current directorships

11,085,645 ordinary shares

Crowd Mobile Ltd

#### Mr Charif El Ansari

##### Experience

Managing Director and Chief Executive Officer (appointed 20 December 2016)

Charif was Head of Business Development, Google Southeast Asia and negotiated and launched key partnerships with top mobile operators, led the company's first Chrome web browser distribution partnership in Asia, built partnerships and alliances with media companies and content owners and led a team to launch the first localized advertising product in Indonesia. Prior to Google he was Director of Client Marketing in Japan for Dell. Dell Japan was the largest and most mature business in Asia and is the region's most unique and complex market from a competitive and product landscape standpoint. He successfully led two major transitions in first 6 months to identify and fill Dell product gaps in Japanese market, set product strategy selection, positioning, pricing and launching, managed trained and developed 20-person marketing team in two locations and owned country relationship with strategic suppliers Intel, AMD and Microsoft. He had a number of roles with Dell including Production Control Manager, Senior Marketing & Pricing consultant in the USA, Sales director in South Korea, Director Client Marketing in China.

##### Interests in shares and Options

25,218,773 ordinary shares and 7,200,000 performance shares consisting of Class E 3,600,000 and Class F 3,600,000

##### Other current directorships

Nil



# DROPSUITE LIMITED

## DIRECTORS' REPORT

For the year ended 31 December 2018

<b><u>Dr Bruce Tonkin</u></b>	Non-Executive Director (appointed 22 February 2017)
<b>Qualifications</b>	B. Electrical and Electronic Engineering (1 <sup>st</sup> class honours), Ph.D. in Electrical and Electronic Engineering from University of Adelaide.
<b>Experience</b>	<p>Dr Bruce Tonkin is currently Chief Operating Officer for the .au Domain Administration Limited, where he is responsible for operations of the .au (Australia) top level domain name. Prior to that he has been chief technology officer and chief strategy officer at Melbourne IT, where he was responsible for managing the development of the company's strategic and operating plans, strategic initiatives with major customers and suppliers, and managing evaluation of merger and acquisition opportunities. Bruce had been at Melbourne IT from 1999 until April 2017, and has gained more than 15 years of experience taking cloud based services to global markets across the USA, Europe, and Asia for both SMBs and Enterprises. In that time annual revenue grew from \$15m to a peak of \$200m with offices in 10 countries, before the sale of its international business.</p> <p>Bruce also served on the Board of ICANN (Internet Corporation of Assigned Names and Numbers) for 9 years. ICANN manages the global domain name and IP addressing system for the Internet.</p>
<b>Other current directorships</b>	None
<b>Other former directorships in the last three years.</b>	Director of various subsidiary and joint venture companies associated with Melbourne IT Limited (ASX:MLB), and Director and Vice-chair of ICANN (Internet Corporation of Assigned Names and Numbers) based in Los Angeles, USA.
<b>Interests in shares and Options</b>	847,457 ordinary shares
<b>Information on secretaries:</b>	
<b><u>Mr Zoran Grujic</u></b>	Company Secretary and Chief Financial Officer (resigned on 23/08/2018)
<b>Qualifications</b>	<p>Bachelor of Commerce (Accounting), University of Western Sydney.</p> <p>Member of the Chartered Accountants Australia and New Zealand.</p>
<b>Experience</b>	Zoran spent over a decade at leading Australian accounting firms before launching Corporate Result Group, a successful accounting practice that was later sold. He has also held senior finance roles in a variety of industries, including Moraitis Group, one of the largest fresh produce suppliers to Woolworths and Coles; a peak training organisation, the Australian Institute of Management (AIM); Couriers Please Pty Limited, one of

# DROPSUITE LIMITED

## DIRECTORS' REPORT

For the year ended 31 December 2018

	the leading freight distribution businesses in Australia. Currently he is also the CFO at the National Stock Exchange of Australia Limited.
<b>Other current directorships</b>	8common Ltd
<b>Other former directorships in the last three years.</b>	Nil
<b>Interests in shares and Options</b>	Nil
<b><u>Mr Julian Rockett</u></b>	Appointed 24/12/2018
<b>Experience</b>	Mr Rockett is a member of the Company Secretarial team at BoardRoom Pty Ltd and his background is as a corporate Lawyer and company Secretary. His legal background includes advising on IPOs, M&A, RTOs and capital raising for ASX listed Companies. His corporate secretarial experience in the listed space include supporting entities across fin-tech, artificial intelligence, medical technology, logistics, equity, resources, mining, building, energy & media.
<b>Interests in shares and Options</b>	Nil
<b><u>Mr Ivan Tatkovich</u></b>	Appointed 8/11/2018 and resigned 24/12/2018
<b>Experience</b>	Mr Tatkovich was a member of the Company Secretarial team at BoardRoom Pty Ltd and has worked in a variety for compliance roles across financial markets in Australia. Mr Tatkovich has prior experience at ASX, where he was a Listings Compliance Advisor with responsibility for advising and monitoring listed entities' compliance with the ASX Listing Rules.
<b>Interests in shares and Options</b>	Nil
<b><u>Mr Kobe Li</u></b>	Appointed 23/08/2018 and resigned 8/11/2018
<b>Experience</b>	Mr Li was a member of the Company Secretarial team at BoardRoom Pty Ltd and has spent eight years at the ASX Listing Compliance team. He was a Senior Adviser overseeing a portfolio of listed entities for their compliance with the ASX Listing Rules. Mr Li is a member of the Governance Institute of Australia and is admitted as a lawyer to the Supreme Court of Victoria
<b>Interests in shares and Options</b>	Nil

# **DROPSUITE LIMITED**

## **DIRECTORS' REPORT**

**For the year ended 31 December 2018**

### **Meetings of Directors:**

During the financial year, 20 meetings of directors (including circular resolutions) were held. Attendances were:

<b>Director</b>	<b>Number of meetings attended</b>	<b>Number of eligible meetings to attend</b>
Theo Hnarakis	20	20
Charif El Ansari	20	20
Bruce Tonkin	19	20

### **Options**

At the date of this report, there are no unissued ordinary shares of Dropsuite Limited under options as the 20,000,000 options with an expiry date of 31 December 2018 have lapsed.

Option holders do not have any rights to participate in any issue of shares and other interests of the Company or any other entity.

There have been no options granted over unissued shares or interests of any controlled entity within the Group during or since the end of the reporting period.

For details of options issued to directors and executives as remunerations, refer to the remunerations report.

## **Remuneration Report (Audited)**

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

### ***Principles used to determine the nature and amount of remuneration***

The Company's policy for determining the nature and amount of emoluments of Key Management Personnel (or "KMP") of the Group is as follows:

- The remuneration structure for executive officers, including executive directors, will emphasise payments for results through providing various reward schemes.
- The objective of the reward schemes is to both reinforce the short and long-term goals of the Group and to provide a common interest between management and shareholders.
- Establish appropriate performance hurdles in relation to variable remuneration.
- The aim of the policy is to reward employees for the success of the Group and its performance overall.

### ***Remuneration Committee***

Due to the current size of the Board and the number of staff, the full Board is responsible for determining and reviewing compensation arrangements for directors, the chief executive officer and all staff. The Board may seek independent expert advice to assess the nature and amount of remuneration of all staff including directors and the chief executive officer by reference to relevant employment market conditions with the overall objective being the retention and attraction of a high quality board, executive and company.

### ***Remuneration structure***

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

### ***Non-executive director remuneration***

#### ***Objective***

The Board seeks to set aggregate remuneration at a level which provides the Group with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

#### ***Structure***

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The board considers advice from external consultants when undertaking the annual review process.

Due to tight financial constraints, every effort has been made to reduce all fees, including director compensation.

Each director receives a fee for being a director.

***Senior manager and executive director remuneration***

*Objective*

The Company aims to reward and attract senior managers and executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group.

*Structure*

In determining the level and make up of senior manager and executive remuneration, the Board may engage external consultants to provide independent advice. Remuneration generally consists of the following elements:

- Fixed remuneration;
- Variable remuneration; and
- Long Term Incentive.

Further details regarding remuneration of senior managers and executive directors for the 12 months ended 31 December 2018 is detailed in below.

***Fixed Remuneration***

*Objective*

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. It is reviewed annually, and it involves where appropriate the access to external advice.

***Variable Remuneration and long-term incentive***

*Structure*

The Company's policy for determining the nature and amount of emoluments of Board members and senior executives of the Group is as follows:

- The remuneration structure for executive officers, including executive directors, will seek to emphasise payments for results through providing various reward schemes. The objective of the reward schemes is to both reinforce the short-term and long-term goals of the Group and to provide a common interest between management and shareholders.

No KMP received variable remuneration during the 12 months ended 31 December 2018.

There are no other service agreements in place with KMP.



# DROPSUITE LIMITED

## DIRECTORS' REPORT

For the year ended 31 December 2018

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### **Service agreements**

Remuneration and other terms of employment for key management personnel are formalised in service agreements.

Details of these agreements are as follows:

Name:	Charif El Ansari
Title:	Managing Director and Chief Executive Officer
Agreement commenced:	20 December 2016
Term of agreement:	1 years
Details:	Base annual salary package, 'at-risk' STI, subject to annual performance review by the Nomination and Remuneration Committee. 6 months termination notice by either party. Base annual package – SGD\$288,000 plus statutory social security. Salary paid in Singapore Dollars (SGD)
Name:	Zoran Grujic
Title:	Company Secretary and Chief Financial Officer
Agreement commenced:	22 February 2017
Term of agreement:	1 year
Details:	Base salary for the year ending 31 December 2018 of A\$12,000 per month (exc GST). 1 month termination notice by either party. Zoran resigned 23 August 2018. Salary paid in Australian Dollars (AUD)
Name:	Ridley Ruth
Title:	Chief Operating Officer
Agreement commenced:	1 November 2015
Term of agreement:	1 year
Details:	Base annual salary package, 'at-risk' STI, subject to annual performance review by the Nomination and Remuneration Committee. 2 months termination notice by either party. Base annual package – US\$179,280 plus statutory social security. Salary paid in United States Dollars (USD)
Name:	Ron Hart
Title:	Chief Technology Officer
Agreement commenced:	1 January 2017
Term of agreement:	1 year
Details:	Base annual salary package, 'at-risk' STI, subject to annual performance review by the Nomination and Remuneration Committee. 3 months termination notice by either party. Base annual package – SGD\$216,000 plus statutory social security. Salary paid in Singapore Dollars (SGD)
Name:	Bill Kyriacou
Title:	Head of Finance
Agreement commenced:	15 August 2018
Term of agreement:	1 year
Details:	Base salary for the year ending 31 December 2018 of A\$6,250 per month (exc GST). 1 month termination notice by either party. Paid in Australian Dollars (AUD).

# DROPSUITE LIMITED

## DIRECTORS' REPORT

For the year ended 31 December 2018

### Remuneration of KMP:

#### For 12 months ended 31 December 2018

AUD	Cash Salary and fees	Cash Bonus	Non- Monetary	Super- annuation	Equity- Settled Shares	Total
<b>2018</b>						
<i>Non-Executive Directors:</i>						
Theo Hnarakis	150,000	-	-	14,250	-	164,250
Bruce Tonkin	70,000	-	-	6,650	-	76,650
Kobe Li (company secretary) (i)	8,733	-	-	-	-	8,733
Ivan Tatkovich (company secretary) (ii)	5,262	-	-	-	-	5,262
Julian Rockett (company secretary) (iii)	895	-	-	-	-	895
<i>Executive Directors:</i>						
Charif el Ansari (MD)	285,825	102,715	-	-	-	388,540
Zoran Grujic (CFO & Company Secretary) (iv)	96,000	-	-	-	-	96,000
<i>Other Key Management Personnel:</i>						
Ridley Ruth (COO)	228,254	104,521	-	-	-	332,775
Ron Hart (CTO)	217,643	46,794	-	-	-	264,437
Bill Kyriacou (Head of Finance) (v)	28,225	-	-	-	-	28,225
<b>Total AUD</b>	<b>1,090,837</b>	<b>254,030</b>	<b>-</b>	<b>20,900</b>	<b>-</b>	<b>1,365,767</b>

- (i) Kobe Li, company secretary provided through BoardRoom Pty Ltd (commenced 23 August 2018 and resigned 8 November 2018)
- (ii) Ivan Tatkovich, company secretary provided through BoardRoom Pty Ltd (commenced 8 November 2018 and resigned 24 December 2018)
- (iii) Julian Rockett, company secretary provided through BoardRoom Pty Ltd (commenced 24 December 2018)
- (iv) Resigned as company secretary 23 August 2018
- (v) Commenced on 15 August 2018

# DROPSUITE LIMITED

## DIRECTORS' REPORT

For the year ended 31 December 2018

### For 12 months ended 31 December 2017

AUD	Cash Salary and fees	Cash Bonus	Non- Monetary	Super- annuation	Equity- Settled Shares	Total
<b>2017</b>						
<i>Non-Executive Directors:</i>						
Theo Hnarakis	121,644	-	-	11,556	-	133,200
Bruce Tonkin (i)	51,151	-	-	4,859	-	56,010
Alex Bajada (ii)	40,000	-	-	-	-	40,000
<i>Executive Directors:</i>						
Charif el Ansari (MD)	277,861	25,857	-	-	*-	303,718
Zoran Grujic (CFO & Company Secretary) (iii)	123,000	-	-	-	-	123,000
<i>Other Key Management Personnel:</i>						
Ridley Ruth (COO)	222,352	80,610	-	-	*-	302,962
Ron Hart (CTO)	178,546	10,266	-	-	*-	188,812
<b>Total AUD</b>	<b>1,014,554</b>	<b>116,733</b>	<b>-</b>	<b>16,415</b>	<b>-</b>	<b>1,147,702</b>

\*Performance Shares converted to Ordinary Shares upon Class D milestone being reached. Issued at Nil cost per Prospectus issued in December 2016.

- (i) Appointed 22 February 2017
- (ii) Resigned as director 30 June 2017
- (iii) Appointed 22 February 2017

# DROPSUITE LIMITED

## DIRECTORS' REPORT

For the year ended 31 December 2018

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

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2018	2017	2018	2017	2018	2017
<i>Non-Executive Directors:</i>						
Theo Hnarakis	100%	100%	-	-	-	-
Bruce Tonkin	100%	100%	-	-	-	-
<i>Executive Directors:</i>						
Charif El Ansari	71%	71%	29%	29%	-	-
Zoran Grujic	100%	100%	-	-	-	-
Boardroom Pty Limited	100%	-	-	-	-	-
<i>Other Key Management Personnel:</i>						
Ridley Ruth (COO)	75%	75%	25%	25%	-	-
Ron Hart (CTO)	80%	80%	20%	20%	-	-
Bill Kyriacou (Head of Finance)	100%	-	-	-	-	-

Cash bonuses are dependent on meeting defined performance measures. The amount of the bonus is determined having regard to the satisfaction of performance measures and weightings as described above in the section 'Consolidated entity performance and link to remuneration'. The maximum bonus values are established at the start of each financial year and amounts payable are determined in the final month of the financial year by the Nomination and Remuneration Committee.

The proportion of the cash bonus paid/payable or forfeited is as follows:

Name	Cash bonus paid/payable		Cash bonus forfeited	
	2018	2017	2018	2017
<i>Non-Executive Directors:</i>				
Theo Hnarakis	-	-	-	-
Bruce Tonkin	-	-	-	-
<i>Executive Directors:</i>				
Charif El Ansari	85%	9%	15%	91%
Zoran Grujic	-	-	-	-
Boardroom Pty Limited	-	-	-	-
<i>Other Key Management Personnel:</i>				
Ridley Ruth (COO)	65%	51%	35%	49%
Ron Hart (CTO)	86%	23%	14%	77%
Bill Kyriacou (Head of Finance)	-	-	-	-

# DROPSUITE LIMITED

## DIRECTORS' REPORT

For the year ended 31 December 2018

### (i) Ordinary Shareholdings

The number of ordinary shares held in Dropsuite Ltd by each KMP during the 12 months to 31 December 2018 is as follows:

Name and Position held	Balance 01/01/2018 or at date of appointment	Purchases	Received on exercise of options	Received on vesting and exercise of performance shares	Balance 31/12/18 or date of retirement
<b>Theo Hnarakis</b> (non-executive chair)	<b>11,085,645</b>	-	-	-	<b>11,085,645</b>
<b>Charif el Ansari</b> (managing director)	<b>25,218,773</b>	-	-	-	<b>25,218,773</b>
<b>Bruce Tonkin</b> non-executive director)	<b>847,457</b>	-	-	-	<b>847,457</b>
<b>Total</b>	<b>37,151,875</b>	-	-	-	<b>37,151,875</b>

### (ii) Options

All options were issued by Dropsuite Limited and entitle the holder to one ordinary share in Dropsuite Limited for each option exercised.

There have not been any alterations to the terms or conditions of any *grants* since grant date.

Name and position held	Balance 01/01/2018	Value of options granted as remuneration during period	Value of options exercised	Value of options lapsed	Balance at 31/12/18
<b>Theo Hnarakis</b> (non-executive chair)	900,000	-	-	(900,000)	-
<b>Charif el Ansari</b> (managing director)	-	-	-	-	-
<b>Bruce Tonkin</b> non-executive director)	-	-	-	-	-
<b>Total</b>	<b>900,000</b>	-	-	<b>(900,000)</b>	-

# DROPSUITE LIMITED

## DIRECTORS' REPORT

For the year ended 31 December 2018

### (iii) Performance shares

Name and position held	Balance 01/01/2018	Value of performance shares granted	Value of performance shares lapsed	Balance at 31/12/18
Theo Hnarakis (non-executive chair)	-	-	-	-
Charif el Ansari (managing director)	7,200,000	-	-	7,200,000
Bruce Tonkin (non-executive director)	-	-	-	-
<b>Total</b>	<b>7,200,000</b>	<b>-</b>	<b>-</b>	<b>7,200,000</b>

Performance shares on issue at 31 December 2018 held by Charif El Ansari are as follows: (i)

Class A Performance shares	-
Class B Performance shares	-
Class C Performance shares	-
Class E Performance shares	3,600,000
Class F Performance shares	3,600,000
	7,200,000

(i) Refer to Note 12 for terms and conditions

### Other Equity – related KMP transactions

There have been no other transactions involving equity instruments apart from those described in the tables above relating to options, rights and shareholdings.

### Other Transactions with KMP and / or their Related Parties

There were no other transactions conducted between the Group and KMP or their related parties that were conducted other than in accordance with normal employee, customer or supplier relationships on terms no more than those reasonably expected under arm's length dealings with unrelated persons.

### Remuneration Consultants

The Company did not engage any remuneration consultants during the 12 months ended 31 December 2018.

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

At the 2017 AGM, the voters supported the adoption of the remuneration report for the year ended 31 December 2017. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

### End of Remuneration Report (Audited)

### Indemnities and insurance officers

# DROPSUITE LIMITED

## DIRECTORS' REPORT

For the year ended 31 December 2018

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 for leave of court to bring proceedings on behalf of the Company or 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 any part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

### **Non-Audit Services**

The Company's auditor provided no non-audit services during the year.

### **Auditor's Declaration:**

The auditor's independence declaration under s 307C of the *Corporations Act 2001* is set out on page 45 for the year ended 31 December 2018.

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



Theo Hnarakis  
Non-Executive Chairman  
Date: 29 March 2019

## DROPSUITE LIMITED

### CORPORATE GOVERNANCE

For the year ended 31 December 2018

The Board of Directors of Dropsuite Limited (“Dropsuite” or “the Company”) is committed to conducting the Company’s business in accordance with the highest standards of corporate governance. The Board is responsible for the Company’s Corporate Governance and the governance framework, policy and procedures, and charters that underpin this commitment. The Board ensures that the Company complies with the corporate governance requirements stipulated in the Corporations Act 2001 (Cth), the ASX Listing Rules, the constitution of the Company and any other applicable laws and regulations.

The table below summarises the Company’s compliance with the ASX Corporate Governance Council Corporate Governance Principles and Recommendations (3rd Edition), in accordance with ASX Listing Rule 4.10.3.

Principles and Recommendations		Disclosure	Comply
<b>Principle 1 – Lay solid foundations for management and oversight</b>			
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management	These matters are disclosed in the Company’s Board Charter, which is available on the Company’s website.	Complies
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether to not to elect or re- elect a director	When a requirement arises for the selection, nomination and appointment of a new director, the Board forms a sub-committee that is tasked with this process and includes undertaking appropriate checks and any potential candidates.  When directors retire and nominate for re-election, the Board does not endorse a director who has not satisfactorily performed their role.	Complies  Complies
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	The Company executes a letter of appointment with each director and services agreements with senior executives.	Complies



**DROPSUITE LIMITED**  
**CORPORATE GOVERNANCE**

For the year ended 31 December 2018

1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair; on all matters to do with the proper functioning of the board.	The Company Secretary reports to the chair of the board on all matters to do with the proper function of the board.	Complies
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**DROPSUITE LIMITED**  
**CORPORATE GOVERNANCE**

For the year ended 31 December 2018

1.5	<p>A listed entity should:</p> <ul style="list-style-type: none"> <li>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</li> <li>(b) disclose that policy or a summary of it; and</li> <li>(c) disclose as at the end of each reporting period the measurable objective for achieving gender diversity set by the boards or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either: <ul style="list-style-type: none"> <li>1. the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</li> <li>2. if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under the Act.</li> </ul> </li> </ul>	<p>The Company's diversity policy is available from the Company's website under Corporate Governance. At this stage the Company has chosen not to adopt a procedure for setting measurable objectives for achieving gender diversity. The Company does provide annual disclosures on gender representation.</p>	Partial compliance.
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**DROPSUITE LIMITED**  
**CORPORATE GOVERNANCE**

For the year ended 31 December 2018

Principles and Recommendations	Compliance	Comply
<p>1.6 A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>Due to its size and limited scope of operations, the Board does not periodically evaluate the performance of the Board and individual directors. The Chairman provides informal feedback on performance and contribution to Board meetings, on an ongoing basis.</p>	<p>Does not comply at this stage.</p>
<p>1.7 A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>In November 2018 a 360-degree leadership assessment was conducted on Managing Director Mr Charif el Ansari and other senior staff performance.</p>	<p>Complies.</p>

**DROPSUITE LIMITED**  
**CORPORATE GOVERNANCE**

For the year ended 31 December 2018

<b>Principle 2 – Structure the board to add value</b>			
2.1	<p>A listed entity should:</p> <p>(a) have a nomination committee which;</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director; and</p> <p>disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>Due to its size and limited scope of operations, the Company does not currently have a nomination committee, however board sub-committees are formed, as required, to manage matters that would normally be dealt with by a formally constituted nomination committee.</p> <p>As the Company's activities increase in size, scope and/or nature, the Board will continue to review and consider the appropriateness of a nomination committee.</p>	Does not comply.
2.2	<p>A listed entity should have and disclose a board skill matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	<p>The Board has not published a Board skill matrix to date, and will prepare a Board skill matrix and other tools, when considering an addition of future Directors.</p>	Does not comply.

**DROPSUITE LIMITED**  
**CORPORATE GOVERNANCE**

For the year ended 31 December 2018

2.3	<p>A listed entity should disclose:</p> <ul style="list-style-type: none"> <li>(a) the names of the directors considered by the board to be independent directors; and</li> <li>(b) if a director has an interest, position, association or relationship of the type described in Box .2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and</li> <li>(c) the length of service of each director.</li> </ul>	<p>The commencement date of service of each director is disclosed in the Company's annual and half yearly director reports and in notices of meetings when directors are nominated for re-election.</p>	Complies.
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Principles and Recommendations		Compliance	Comply
2.4	A majority of the board of a listed entity should be independent directors.	There are two independent non-executive directors. The Board believes this is satisfactory given the Company’s size and the scale of its current operations.	Complies.
2.5	The chair of the board of a listed entity should be an independent director and, in particular; should not be the same person as the CEO of the entity.	Mr Theo Hnarakis is the Chairman and an independent non-executive director.	Complies.

**DROPSUITE LIMITED**  
**CORPORATE GOVERNANCE**

For the year ended 31 December 2018

2.6	A listed entry should have a program for including new directors and provide appropriate professional development, opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively	New directors are encouraged to do either the Kaplan course or the AICD course.	Complies
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**Principle 3 – A listed entity should act ethically and responsibly**

3.1	A listed entity should: (a) have a code of conduct of its directors, senior executives and employees; and (b) disclose that code or a summary of it.	The Company code of conduct is available on the Company web site.	Complies.
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**DROPSUITE LIMITED**  
**CORPORATE GOVERNANCE**

For the year ended 31 December 2018

<b>Principle 4 – Safeguard integrity in corporate reporting</b>			
4.1	<p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director; who is not the chair of the board,</p> <p>and disclose</p> <p>(3) the relevant qualifications and experience of the members of the committee; and</p> <p>(4) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotations of the engagement partner.</p>	<p>Due to its size and limited scope of operations, the Company does not currently have an audit committee, however the auditors do meet with the Board, without excluding management present, with regards to their audit report and other matters that have arisen during their audit work.</p> <p>As the Company's activities increase in size, scope and/or nature, the board will consider the appropriateness of an audit committee.</p>	Does not comply.

**DROPSUITE LIMITED**  
**CORPORATE GOVERNANCE**

For the year ended 31 December 2018

4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management, and internal control which is operating effectively.	The Board does receive a statement signed by those performing the roles of the Managing Director and the Chief Financial Officer.	Complies
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**DROPSUITE LIMITED**  
**CORPORATE GOVERNANCE**

For the year ended 31 December 2018

Principles and Recommendations		Compliance	Comply
4.3	A listed entity that has an Annual General Meeting (AGM) should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit,	The Company's auditors are present at the Annual General Meeting.	Complies
<b>Principle 5 – Make timely and balanced disclosure</b>			
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	The Company does have a Continuous Disclosure policy, which is available on the Company web site.	Complies
<b>Principle 6 – Respect the rights of security holders</b>			
6.1	A listed entity should provide information about itself and its governance to investor via its website.	The Company does have a company information and governance statement, which is available on the Company web site.	Complies
6.2	A Listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	The Company has implemented an investor relations program targeting retail investors and encourages all investors or potential investors to communicate with the Company via its web site.	Complies
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	The Company Shareholder Communication Policy is available on the Company web site.	Complies

**DROPSUITE LIMITED**  
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For the year ended 31 December 2018

6.4	A listed entity should give security holder the option to receive communications from, and send communication to the entity and is security registry electronically.	Security holder can elect to receive communications from the Company electronically either by contacting the Company's share registrar, or the Company directly.	Complies
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<b>Principal 7 – Recognise and manage risk</b>			
7.1	<p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director and disclose</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendance of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	<p>Due to its size and limited scope of operations, the Company does not currently have a risk committee; however management does present and discuss risk with the full board.</p> <p>As the Company's activities increase in size, scope and/or nature, the board will consider the appropriateness of a risk committee.</p>	Does not Comply

**DROPSUITE LIMITED**  
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For the year ended 31 December 2018

7.2	<p>The board or a committee of the board should:</p> <ul style="list-style-type: none"> <li>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</li> <li>(b) disclose, in relation to each reporting period, whether such a review has taken place.</li> </ul>	<p>The Board reviews the Company's risk management framework at least annually and disclose this in each periodic report.</p>	Complies
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Principles and Recommendations	Principles and Recommendations	Principles and	
7.3	<p>A listed entity should disclose:</p> <ul style="list-style-type: none"> <li>(a) if it has an internal audit function, how the function is structured and what role it performs; or</li> <li>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</li> </ul>	<p>The Company does not have an internal audit function.</p> <p>As the Company's activities increase in size, scope and/or nature, the board will consider the appropriateness of an internal audit function.</p>	Does not comply
7.4	<p>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	<p>The Company makes these disclosures.</p>	Complies

**DROPSUITE LIMITED**  
**CORPORATE GOVERNANCE**

For the year ended 31 December 2018

<b>Principle 8 – Remunerate fairly and responsibly</b>			
8.1	<p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director and disclose</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendance of the members at those meetings; or</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration</p>	<p>The Company does not currently have a remuneration committee.</p> <p>As the Company's activities increase in size, scope and/or nature, the board will consider the appropriateness of a remuneration committee.</p>	Complies
8.2	<p>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive director and other senior executive.</p>	<p>The Company discloses its practices in relation to the remuneration of non-executive directors and senior executives in its annual remuneration report.</p>	Complies

## DROPSUITE LIMITED

### CORPORATE GOVERNANCE

For the year ended 31 December 2018

8.3	<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transaction (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>This information is contained under “exceptions” described within the Company’s share trading policy.</p>	<p>Complies.</p>
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As the Company's activities increase in size, scope and/or nature, the Company's corporate governance principles will be reviewed by the Board and amended as appropriate.

#### Diversity

The Company and all its related bodies corporate are committed to workplace diversity. The Company recognises the benefits arising from employee and Board diversity, including a broader pool of high quality employees, improving employee retention, accessing different perspectives and ideas and benefitting from all available talent.

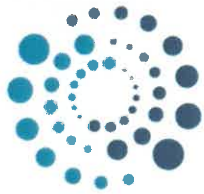
Diversity includes, but is not limited to gender, age, ethnicity and cultural background. The Diversity Policy is available on the Company’s website.

As stated earlier, the Company is at a stage of its development that the application of measurable objectives in relation to gender diversity, at the various levels of the Company’s business, are not considered to be appropriate nor practical.

The participation of women in the Company and consolidated entity at 31 December 2018 was as follows:

- *Women employees in the consolidated entity* 12%
- *Women in senior management positions* 0%
- *Women on the board* 0%

Further details of the Company's corporate governance policies and practices are available on the Company's website at [www.dropsuite.com](http://www.dropsuite.com)



Greenwich & Co

Greenwich & Co Audit Pty Ltd | ABN 51 609 542 458  
Level 2, 35 Outram Street, West Perth WA 6005  
PO Box 983, West Perth WA 6872  
T 08 6555 9500 | F 08 6555 9555  
[www.greenwichco.com](http://www.greenwichco.com)

### Auditor's Independence Declaration

As auditor for the audit of Dropsuite Limited for the year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

- I) no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the audit; and
- II) no contraventions of any applicable code of professional conduct in relation to the audit.

Greenwich & Co Audit Pty Ltd

Greenwich & Co Audit Pty Ltd

**Rafay Nabeel**  
Audit Director

29 March 2019  
Perth

## Consolidated Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 31 December 2018

		CONSOLIDATED	
		2018	2017
		\$	\$
<b>Income</b>			
Sales revenue	4(a)	5,218,418	2,555,159
Other income	4(a)	70,813	6,452
Interest Income		71,282	-
Total Income		5,360,513	2,561,611
<b>Expenses</b>			
Hosting fees		1,216,259	577,717
Advertising and marketing expenses		236,177	246,809
Conference and exhibition expenses		118,323	78,900
Professional fees	4(b)	14,473	292,398
Employee and director expenses	4(b)	3,376,867	2,337,784
Depreciation expense		29,370	19,479
Amortisation expense	8	590,149	268,367
Office expenses	4(b)	400,386	402,881
Other expenses	4(b)	835,458	513,195
<b>Expense from continuing operations</b>		<b>(1,456,949)</b>	<b>(2,175,919)</b>
Income tax expense	13	-	-
<b>Loss after income tax for the year</b>		<b>(1,456,949)</b>	<b>(2,175,919)</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit and loss</i>			
Exchange differences in translating foreign operations		127,369	(3,290)
<b>Total other comprehensive income</b>		<b>127,369</b>	<b>(3,290)</b>
<b>Total comprehensive loss for the year</b>		<b>(1,329,580)</b>	<b>(2,179,209)</b>
Basic Loss per share	5	(0.27)	(0.53)
Diluted loss per share	5	(0.27)	(0.53)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

**Consolidated Statement of Financial Position**  
**As at 31 December 2018**

		<b>CONSOLIDATED</b>	
	<b>Note</b>	<b>2018</b>	<b>2017</b>
		<b>\$</b>	<b>\$</b>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6	3,486,932	4,962,123
Trade and other receivables	7	767,969	471,018
Other assets		137,747	83,118
<b>Total current assets</b>		<b>4,392,648</b>	<b>5,516,259</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		42,888	23,557
Intangible Assets	8	1,211,246	1,351,192
Investments		6,511	9,616
Other		64,268	-
<b>Total non-current assets</b>		<b>1,324,913</b>	<b>1,384,365</b>
<b>Total assets</b>		<b>5,717,561</b>	<b>6,900,624</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	9	648,311	411,180
Deferred income		63,607	54,563
Provisions	10	-	150,000
<b>Total current liabilities</b>		<b>711,918</b>	<b>615,743</b>
<b>NON-CURRENT LIABILITIES</b>			
Other		50,343	-
<b>Total non-current liabilities</b>		<b>50,343</b>	<b>-</b>
<b>Total liabilities</b>		<b>762,261</b>	<b>615,743</b>
<b>Net assets</b>		<b>4,955,301</b>	<b>6,284,881</b>
<b>EQUITY</b>			
Contributed equity	11	21,138,601	21,138,601
Reserves	11	116,131	(11,239)
Accumulated losses	12	(16,299,431)	(14,842,481)
<b>Total equity</b>		<b>4,955,301</b>	<b>6,284,881</b>

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



**Consolidated Statement of Changes in Equity  
For the Year Ended 31 December 2018**

<b>2018</b>	<b>Issued</b>	<b>Foreign</b>	<b>Accumulated</b>	
<b>CONSOLIDATED</b>	<b>capital</b>	<b>exchange</b>	<b>losses</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Balance at 1 January 2018</b>	<b>21,138,601</b>	<b>(11,239)</b>	<b>(14,842,481)</b>	<b>6,284,881</b>
<b>Comprehensive income</b>				
Loss after income tax expense for the year	-	-	(1,456,949)	(1,456,949)
Other comprehensive income for the year, net of tax	-	127,369	-	127,369
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>127,369</b>	<b>(1,456,949)</b>	<b>(1,329,580)</b>
<b>Transactions with owners in their capacity as owners:</b>				
Issue of share capital	-	-	-	-
Exercise of options	-	-	-	-
<b>Total transactions with owners and other transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance at 31 December 2018</b>	<b>21,138,601</b>	<b>116,130</b>	<b>(16,299,430)</b>	<b>4,955,301</b>

**Consolidated Statement of Changes in Equity  
For the Year Ended 31 December 2017**

<b>2017 CONSOLIDATED</b>	<b>Issued capital</b>	<b>Foreign exchange reserve</b>	<b>Accumulated Losses</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Balance at 1 January 2017</b>	<b>16,640,291</b>	<b>(7,949)</b>	<b>(12,666,562)</b>	<b>3,965,780</b>
<b>Comprehensive income</b>				
Loss after income tax expense for the year	-	-	(2,175,919)	(2,175,919)
Other comprehensive income for the year, net of tax	-	(3,290)	-	(3,290)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>(3,290)</b>	<b>(2,175,919)</b>	<b>(2,179,209)</b>
<b>Transactions with owners in their capacity as owners:</b>				
Issue of share capital	4,498,310	-	-	4,498,310
Exercise of options	-	-	-	-
<b>Total transactions with owners and other transfers</b>	<b>4,498,310</b>	<b>-</b>	<b>-</b>	<b>4,498,310</b>
<b>Balance at 31 December 2017</b>	<b>21,138,601</b>	<b>(11,239)</b>	<b>(14,842,481)</b>	<b>6,284,881</b>

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

## Consolidated Statement of Cash Flows

### For the Year Ended 31 December 2018

	Note	CONSOLIDATED 2018 \$	2017 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from sales		4,705,740	2,303,913
Payments to suppliers and employees		(5,746,716)	(6,370,549)
Interest paid		-	(1,840)
Interest received		63,169	-
<b>Net cash used in operating activities</b>	<b>6</b>	<b>(977,807)</b>	<b>(4,068,476)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Payments for property, plant and equipment		(47,180)	(34,175)
Cash acquired on acquisition of Dropsuite		-	-
Loans to related parties		-	-
Payment for development costs		(450,204)	(476,927)
<b>Net cash provided by/(used in) financing activities</b>		<b>(497,384)</b>	<b>(511,102)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from capital raising		-	4,498,310
Proceeds from borrowings		-	-
Payment of borrowings		-	(295,116)
<b>Net cash provided by financing activities</b>		<b>-</b>	<b>4,203,194</b>
<b>Net increase/(decrease) in cash and cash equivalents held</b>		<b>(1,475,191)</b>	<b>(376,384)</b>
Cash and cash equivalents at the beginning of the financial year		4,962,123	5,338,507
<b>Cash and cash equivalents at the end of the financial year</b>	<b>6</b>	<b>3,486,932</b>	<b>4,962,123</b>

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

**DROPSUITE LIMITED****Notes to the Financial Statements****NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These consolidated financial statements and notes represent those of Dropsuite Limited (or “the Company”) and Controlled Entities (“the Consolidated group” or “Group”). Dropsuite Limited is a public listed company, incorporated and domiciled in Australia. These consolidated financial statements were authorised for issue on 29 March 2018.

The separate financial statements of the parent entity, Dropsuite Limited, have not been presented within this financial report as permitted by the *Corporations Act 2001*.

The address registered office is 14 Emerald Terrace, West Perth, Western Australia 6005.

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.

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

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

**AASB 9 Financial Instruments**

The consolidated entity has adopted AASB 9 from 1 January 2018. The revised standard introduced new classification and measurement models for the financial instruments as summarised in the accounting policy notes below. None of the new requirements had a material impact on the Group's financial instruments. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit

**DROPSUITE LIMITED**

risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

**AASB 15 Revenue from Contracts with Customers**

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

The Group's business model involves the provision of digital back up services for data, email and websites to end-users via distributors. Group does not deal directly with the end-users and bills its distributors on a monthly usage basis consistent with the individual performance obligations. Based on this, there hasn't been any impact on the Group's revenue from the measurement and recognition of revenue under AASB 15.

**(a) Going concern**

The financial report has been prepared on the going concern basis, which contemplated the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

The directors have considered the funding and operational status of the business in arriving at their assessment of going concern and believe that the going concern basis of preparation is appropriate, based upon the following:

- Current cash and cash equivalents on hand;
- The ability of the Company to obtain funding through various sources, including debt and equity;
- The ability to further vary cash flow depending upon the achievement of certain milestones within the business plan; and
- The expected receipt of sale proceeds.

**Basis of preparation**

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards and the financial report has been prepared on a historical cost basis.

The financial report has been presented in Australian Dollars.

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**DROPSUITE LIMITED**

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

**(b) 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 2.

**(c) Principles of Consolidation**

The consolidated financial statements comprise the financial statements of the parent entity and its subsidiaries ('Group') as at 31 December each year. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls and investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring assets and liabilities, equity income, expenses and cash flows relating to transactions between members of the Consolidated Entity are eliminated in full on consolidation.

**DROPSUITE LIMITED****(d) Business combinations**

Business combinations are accounted for using the acquisition method. The cost of the acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non – controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non – controlling interests in the acquiree at fair value or at the proportionate shares of the acquiree identifiable net assets. Acquisition – related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed to be appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. Any contingent consideration to be transferred by the acquirer will be recognised at the fair value at the acquisition date. Contingent conditions classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the statement of profit and loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non – controlling interest) and any previous interest held over the net identifiable assets acquired and liability assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the group re- assesses whether it has correctly identified all of the assets and all of the liabilities assumed and reviews the procedure used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment loss. For the purpose of impairment testing, goodwill acquired in a business is, from the acquisition date, allocated to each of the Group's cash – generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash generating unit (CGU), and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the proportion of cash – generating units retained.

**(e) Revenue recognition**

The Group derives income through the provision of digital backup services for data, email and websites. Revenue for services is recognized as revenue when the services are rendered. Revenue from services provided but unbilled is accrued at the end of each reporting period and unearned revenue for services to be provided in future periods is deferred and recognised in the period that the services are rendered.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Interest income is recognised 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.

**(f) Current and non-current classification**

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**DROPSUITE LIMITED**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve 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 twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

**(g) Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprises cash at bank and in hand and short term deposits that are readily convertible to known amounts of cash and which are subject to the insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest bearing loans and borrowings in the current liabilities of the statement of financial position.

**(h) Operating segments**

An operating segment is a component of an entity that engages in business activities from which it may earn revenues or incur expenses) including revenues and expenses relating to the transaction with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision makers to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start – up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

**(i) Income tax**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that



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have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

**(j) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case, it is recognised as part of the cost of 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 taxation authority is included with other receivables or 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 taxation authority, are presented as operating cash flows.

**(k) Impairment**

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is reclassified from equity and recognised in profit or loss as a reclassification adjustment. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss.

If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in profit or loss.

**(l) Trade and other receivables**

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

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Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

**(m) Property, plant and Equipment**

Plant and equipment is stated at historical cost less accumulated depreciation.

Depreciation is calculated on a straight – line basis over the estimated life of the asset which ranges between 3 and 25 years.

*Derecognition*

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continual use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the items) is included in the statement of comprehensive income in the period the item is derecognised.

**(n) Intangible Assets**

Intangible assets acquired separately are measured at initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit and loss in the period in which the expenditure is incurred. The useful lives of the intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of economic future benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortised expense of intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

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Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash – generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supported. If not, the changes in the useful life from indefinite to finite are made on a prospective basis.

Gains or losses arising from derecognition of an indefinite asset are measured as the difference between the net disposal proceeds and the carrying amount of the assets and are recognised in the statement of profit and loss when the asset is derecognised.

**(o) Research and development costs**

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability and intention to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset; and
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is completed and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in the statement of profit and loss. During the period of development, the asset is tested for impairment annually.

Amortisation - A summary of the current amortisation rates applied to the Group's intangible assets are as follows

	Development costs
Useful life up to 30 June 2018	Finite (5 years)
Useful life 01 July 2018 onwards	Finite (3 years)
Amortisation method	Amortised on a straight – line basis over the period of expected future sales from the related project
Internally generated or acquired	Internally generated

**(p) Investments and other financial assets**

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. 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.

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Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated group 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 fair value through profit or loss*

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

*Financial assets at fair value through other comprehensive income*

Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

*Impairment of financial assets*

The consolidated group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

**(q) Trade and other payables**

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which were unpaid. The amounts are unsecured.

**(r) Share based payments**

From time to time, the Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. For options, the fair value is determined by using the Binomial method or Black-Scholes model.

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The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see note 5).

**(s) Contributed equity**

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.

**(t) Earnings per share***(i) Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, 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 year.

*(ii) 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 share and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

**(u) Foreign currency transactions**

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

**DROPSUITE LIMITED****(v) New Accounting Standards for Application in Future Periods**

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

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

The new standards, amendments and interpretations that may be relevant to the Company's financial statements are provided below.

Standard/Interpretation	Effective for annual reporting periods beginning on or after
<p>AASB 16 Leases</p> <p>The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.</p>	<p>1 January 2019</p>

The Group has considered the future impact of applying AASB 117 and determined the impact will be immaterial to its operations.

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**DROPSUITE LIMITED****(w) Critical accounting judgements, estimates and assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a 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.

**Capitalised development costs**

The Groups processes for calculating the amount of internally developed software costs to be capitalised is judgemental and involves estimating the time that employees spend developing the products.

**Impairment of capitalised development costs**

The Group assesses impairment of capitalised development costs for assets available for use at each reporting date by evaluating conditions specific to the Group and to the particular assets that may lead to impairment. If an impairment trigger exists, the recoverable amount of the assets are determined. For capitalised development costs relating to assets not yet available for use, the recoverable amounts are determined annually. The determination of recoverable amount involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

**Amortisation of capitalised development costs**

The useful life used to amortise capitalised development costs is estimated based on an anticipation of future events which may impact their life. The useful life represents managements view of the expected term over which the Group will receive benefits from the development and is regularly reviewed for appropriateness.

**Taxation**

Balances and notes related to taxation are based on the best estimates of directors, pending further assessment in the next financial year.

**(x) Employee Benefits****Short-term employee benefits**

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position. The Group's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position under trade and other payables.

**DROPSUITE LIMITED****Other long-term employee benefits**

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any re-measurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions. No long term employee benefits accounted for during this year.

**Defined contribution superannuation benefits**

All employees of the Group other than those who receive defined benefit entitlements receive defined contribution superannuation entitlements, for which the Group pays the fixed superannuation guarantee contribution (currently 9.5% of the employee's average ordinary salary) to the employee's superannuation fund of choice. All contributions in respect of employees' defined contribution entitlements are recognised as an expense when they become payable. The Group's obligation with respect to employees' defined contribution entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the Group's statement of financial position.

**Termination benefits**

When applicable, the Group recognises a liability and expense for termination benefits at the earlier of:

- (i) the date when the Group can no longer withdraw the offer for termination benefits; and
- (ii) when the Group recognises costs for restructuring pursuant to AASB 137: Provisions, Contingent Liabilities and Contingent Assets and the costs include termination benefits.

In either case, unless the number of employees affected is known, the obligation for termination benefits is measured on the basis of the number of employees expected to be affected.

Termination benefits that are expected to be settled wholly before 12 months after the annual reporting period in which the benefits are recognised are measured at the (undiscounted) amounts expected to be paid. All other termination benefits are accounted for on the same basis as other long-term employee benefits.

**(y) Provisions**

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.



**DROPSUITE LIMITED****(z) Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Group retrospectively applies an accounting policy, makes a retrospective restatement or reclassifies items in its financial statements, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

**NOTE 2: PARENT ENTITY INFORMATION**

Information relating to Dropsuite Limited (the legal parent entity):	2018 \$	2017 \$
Current assets	2,804,999	4,543,401
Fixed Assets	1,211,247	-
Non-current assets	4,394,941	4,049,749
Total assets	8,411,187	8,593,150
Current liabilities	227,921	152,638
Non-Current Liabilities	50,343	-
Total liabilities	278,264	152,638
Issued capital	21,337,275	21,337,275
Accumulated losses	(13,443,154)	(13,135,565)
Reserves	14,680	14,680
Costs of capital	224,122	224,122
Total shareholders' equity	8,132,923	8,440,512
Loss of the parent entity	775,226	989,311
Total comprehensive loss of the parent entity	775,226	989,311

The parent company has not entered into any guarantees, has no significant contingent liabilities, or contractual commitments for the acquisition of property, plant or equipment as at 31 December 2018.

**NOTE 3: SEGMENT REPORTING**

Based on the information used for internal reporting purposes by the chief operating decision maker (being the Board), the Group operated in one reportable segment during the year ended 31 December 2018, being the provision of backup services.

The reportable segment financial information is therefore the same as the consolidated statement of financial position and the consolidated statement of profit or loss and other comprehensive income.

**DROPSUITE LIMITED****NOTE 4: REVENUE AND EXPENSES**

<b>4(a) Revenue from continuing operations</b>	<b>CONSOLIDATED</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Sales income	5,218,418	2,555,159
Other Income	70,813	6,452
Interest income	71,282	-
<b>Total Income</b>	<b>5,360,513</b>	<b>2,561,611</b>
<b>4(b) Expenses</b>		
<b>(i) Professional fees</b>		
Accounting, audit and taxation expenses	71,624	120,542
Sales consulting expenses (i)	-	-
Contractor fees (i)	-	-
Legal expenses	(57,151)	95,095
Other consulting expenses	-	76,761
<b>Total professional fees</b>	<b>14,473</b>	<b>292,398</b>
<b>(ii) Employee and director expenses</b>		
Wages, salaries and superannuation	2,838,993	1,805,396
Directors	537,874	532,388
<b>Total employee benefits expense</b>	<b>3,376,867</b>	<b>2,337,784</b>
<b>(iii) Office expenses</b>		
IT expenses	139,919	137,311
Impairment expense	3,105	781
Office rental expenses	66,512	58,854
Bank fees	9,298	9,784
Office services	133,982	153,935
Other office expenses	47,570	42,216
<b>Total Office expenses</b>	<b>400,386</b>	<b>402,881</b>
<b>(iv) Other expenses</b>		
Transportation and travelling expenses	242,685	196,207
Foreign Currency Gains and Losses	156,809	44,044
Withholding Tax	253,380	-
Corporate advisory & listing fees	126,827	257,026
Insurance expense	55,757	15,918
<b>Total other expenses</b>	<b>835,458</b>	<b>513,195</b>

**DROPSUITE LIMITED****NOTE 5: LOSS PER SHARE**

Basic loss per share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted loss per share amounts are calculated by dividing the net loss attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the net loss and number of shares used in the basic and diluted loss per share computations:

	<b>CONSOLIDATED</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Net loss after income tax benefit attributable to members	(1,456,949)	(2,175,919)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS and diluted EPS (i)	480,247,200	409,619,871
Earnings per share (cents)	(0.27)	(0.53)

There have been no conversions to, calls of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of this financial report.

**NOTE 6: CASH AND CASH EQUIVALENTS**

- Reconciliation of cash**

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	<b>CONSOLIDATED</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Cash at bank	3,486,932	4,962,123

Cash at bank earns interest at floating rates based on daily bank deposit rates. Cash deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

- Reconciliation of loss from ordinary activities after income tax to net cash flows from operating activities**

	<b>CONSOLIDATED</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax	(1,456,949)	(2,175,919)
Add back non-cash items		
Impairment expense	(1,520)	247

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Listing expense	-	-
Amortisation and depreciation expense	619,519	287,846
Non-cash – deregistration of subsidiary	-	-
Foreign exchange	127,369	(3,290)
 Movements in assets and liabilities relating to operating activities		
(Increase) / decrease in trade and other receivables	(296,951)	(148,611)
(Increase) / decrease in other current assets	(54,630)	13,354
(Increase) / decrease in investments	3,106	(481)
(Increase) / decrease in other non-current assets	(64,268)	-
Increase / (decrease) in trade and other payables	237,129	(2,200,643)
Increase / (decrease) in deferred income	9,044	9,021
Increase / (decrease) in provisions	(150,000)	150,000
Increase / (decrease) in other non-current liabilities	50,344	-
Cash out flow used in operating activities	<u>(977,807)</u>	<u>(4,068,476)</u>

There were nil non- cash investing or financing activities during the financial year.

**DROPSUITE LIMITED****NOTE 7: TRADE AND OTHER RECEIVABLES**

	<b>CONSOLIDATED</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Trade and other receivables	767,969	471,018
	<u>767,969</u>	<u>471,018</u>

All receivables are current and not impaired.

**NOTE 8: INTANGIBLE ASSETS**

	<b>CONSOLIDATED</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Capitalised software development costs:		
Cost	2,268,968	1,818,764
Accumulated amortisation	(1,057,722)	(467,572)
	<u>1,211,246</u>	<u>1,351,192</u>

	<b>Capitalised Development Costs</b>
<b>Year ended 31 December 2017</b>	
Balance at the beginning of the year	1,142,632
Additions	476,927
Amortisation	(268,367)
<b>Closing value as at 31 December 2017</b>	<u><b>1,351,192</b></u>
<b>Year ended 31 December 2018</b>	
Balance at the beginning of the year	1,351,192
Additions	450,204
Amortisation	(590,149)
<b>Closing value as at 31 December 2018</b>	<u><b>1,211,247</b></u>

**NOTE 9: TRADE AND OTHER PAYABLES**

	<b>CONSOLIDATED</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Trade creditors	87,423	167,273
Other payables and accruals	560,888	243,907
	<u>648,311</u>	<u>411,180</u>

Creditors are unsecured, non-interest bearing and are normally subject to net 30 day terms.

**DROPSUITE LIMITED****NOTE 10: PROVISIONS**

	<b>CONSOLIDATED</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Provisions (i)	-	150,000
	-	150,000

- (i) Management of Dropsuite had a provision of \$150,000 in 2017 for the current legal action by Paul Carroll against GCP Capital Pty Ltd & Dropsuite Ltd for any potential legal costs, professional costs or other associated costs that may arise due to this case however GCP Capital Pty Ltd has indemnified Dropsuite Ltd for any liability and cost associated with the dispute so the provision has been reversed.

**NOTE 11: CONTRIBUTED EQUITY****(a) Issued and fully paid up capital**

	<b>CONSOLIDATED</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Ordinary shares	21,138,601	21,138,601

**(b) Movements in ordinary shares on issue**

SHARES	Date	Number	\$
Share on issue 1 January 2017		<b>386,022,667</b>	<b>16,640,291</b>
Performance shares exercised	21/06/2017	14,183,334	-
Shares issued for cash	16/10/2017	73,261,540	4,098,310
Shares issued for cash	17/11/2017	6,779,659	400,000
<b>TOTAL SHARES ON ISSUE 31 DECEMBER 2017</b>		<b>480,247,200</b>	<b>21,138,601</b>

Share on issue 1 January 2018		<b>480,247,200</b>	<b>21,138,601</b>
Performance shares exercised	-	-	-
Shares issued for cash	-	-	-
<b>TOTAL SHARES ON ISSUE 31 DECEMBER 2018</b>		<b>480,247,200</b>	<b>21,138,601</b>

**DROPSUITE LIMITED****c) Terms and conditions of contributed equity**

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder' meetings. In the event of winding up the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

**d) Performance shares**

Performance Shares on issue at 31 December 2018 are as follows:

Class A Performance shares		1,500,000	
Class B Performance shares		1,500,000	
Class C Performance shares		1,500,000	
Class E Performance shares		13,433,333	
Class F Performance shares		13,433,333	
		31,366,666	
Class	Performance Shares on issue	Share Milestone Conditions	Expiry date
Class A Performance Shares	1,500,000	" <b>Class A Milestone</b> " means Dropsuite achieving audited gross revenue from AAG signed distributors or sales representatives under the master distribution agreement of \$15,000 or more per month for a minimum of three consecutive months.	5 years from the date of issue of the Class A Performance Shares
Class B Performance Shares	1,500,000	" <b>Class B Milestone</b> " means Dropsuite achieving audited gross revenue from AAG signed distributors or sales representatives under the master distribution agreement of \$30,000 or more per month for a minimum of three consecutive months.	5 years from the date of issue of the Class B Performance Shares
Class C Performance Shares	1,500,000	" <b>Class C Milestone</b> " means Dropsuite achieving audited gross revenue from AAG signed distributors or sales representatives under the master distribution agreement of \$60,000 or more per month for a minimum of three consecutive months.	5 years from the date of issue of the Class C Performance Shares

**DROPSUITE LIMITED**

Class D Performance Shares (i)	nil	<b>"Class D Milestone"</b> means Dropsuite achieving audited monthly revenues of \$150,000 or more for a minimum of three consecutive months.	5 years from the date of issue of the Class D Performance Shares
Class E Performance Shares (ii)	13,433,333	<b>"Class E Milestone"</b> means Dropsuite achieving audited monthly revenues of \$300,000 or more for a minimum of three consecutive months.	5 years from the date of issue of the Class E Performance Shares
Class F Performance Shares	13,433,333	<b>"Class F Milestone"</b> means Dropsuite achieving audited monthly revenues of \$600,000 or more for a minimum of three consecutive months.	5 years from the date of issue of the Class F Performance Shares

(i) Class D performance shares of 14,183,334 vested during 2017.

(ii) Class E performance shares of 13,433,333 vested subsequent to the reporting date in January 19



**DROPSUITE LIMITED****e) Share options**

Movement in options	Number	Weighted average exercise price (\$)
Options outstanding as at 31 December 2016	<b>22,334,167</b>	0.11
Forfeited	(267,500)	0.12
Exercised	(2,066,667)	0.12
<b>OPTIONS OUTSTANDING AT 31 DECEMBER 2017</b>	20,000,000	0.11
Forfeited	(20,000,000)	0.11
<b>OPTIONS OUTSTANDING AT 31 DECEMBER 2018</b>	-	-

No options were granted by Dropsuite Limited during the year to 31 December 2018.

**(f) Capital Risk Management**

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

In order to maintain or adjust the capital structure, the consolidated entity may issue new shares, pay dividends or return capital to shareholders.

The consolidated entity monitors capital with reference to the net debt position. The consolidated entity's current policy is to ensure that cash and cash equivalents exceeds debt at all times.

**g) Reserves**

	Foreign exchange reserves \$
Carrying amount at 1 January 2018	(11,239)
Other comprehensive income	127,370
Carrying amount at 31 December 2018	116,131

**DROPSUITE LIMITED****NOTE 12: ACCUMULATED LOSSES**

	<b>CONSOLIDATED</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Balance at beginning of year	(14,842,481)	(12,666,562)
Net (loss) for the year	(1,456,949)	(2,175,919)
Other comprehensive income / (loss) for the year	-	-
Balance at end of financial year	(16,299,431)	(14,842,481)

**NOTE 13: INCOME TAX EXPENSE**

The prima facie tax on loss before income tax is reconciled to income tax as follows:

	<b>CONSOLIDATED</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Loss before tax	(1,456,949)	(2,175,919)
Income tax benefit calculated at 30%	(437,085)	(652,776)
<b><i>Effect of non-deductible/ assessable items in calculating taxable income /loss</i></b>		
Unrealized foreign currency gains	(13,027)	-
Non-deductible items arising from reverse acquisition	-	-
Share based payments	-	-
Other Non-deductible/non-assessable items	198,446	81,123
Deferred tax balances not recognised	251,666	571,653
Income tax attributable to operation loss	-	-

Estimated unused tax losses have not been recognised as a deferred tax asset as the future.

Recovery of these losses is subject to the Group satisfying the requirements imposed by the relevant regulatory authorities in each of the jurisdictions in which the Group operates. Due to the nature of the acquisition in December 2016 it is doubtful as to whether a majority of the tax losses accumulated by entities in the Group will be able to be carried forward for recovery in the future. The benefit of deferred tax assets not brought to account will only be brought to account if:

- (i) The Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the losses and deductions to be realised;
- (ii) The Company continues to comply with the conditions for deductibility imposed by the law; and
- (iii) No changes in tax legislation adversely affect the Company in realising the benefit from the deductions for the losses.

**DROPSUITE LIMITED****NOTE 14: RELATED PARTY DISCLOSURE****Particulars in relation to controlled entities of the legal parent entity, Dropsuite Limited**

Controlled entities	Country of Incorporation	Ownership Interest held by the Group	
		2018 %	2017 %
Dropmysite Pte Ltd	Singapore	100	100
Dropmysite Inc	USA	100	100
Greenbase Corporation Pty Ltd (i)	Australia	100	100

(i) Greenbase Corporation Pty Ltd is a dormant company

There are no other related party transactions other than those disclosed elsewhere in this financial report.

**NOTE 15: DIRECTOR AND EXECUTIVE DISCLOSURES****Aggregate remuneration of key management personnel**

	CONSOLIDATED	
	2018 \$	2017 \$
Salary and fees	1,344,867	942,475
Superannuation	20,900	16,415
Share based payments	-	-
<b>Total</b>	<b>1,365,767</b>	<b>958,890</b>

The above disclosure comprises the key management personnel of Dropmysite Pte Ltd and Dropsuite Ltd for the year ended 31 December 2018 and year ended 31 December 2017.

**Granted and exercisable option holdings of directors and executives**

During the reporting period, no options were granted to a director or executive as remuneration, and no options were exercised by a director or executive from options previously granted as remuneration.

**NOTE 16: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The group's principal financial instruments comprise cash, short-term deposits and receivables.

The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial liabilities such as trade payables, which arise directly from its operations. The main market risks arising from the Group's financial instruments are interest rate risk, foreign exchange risk, and liquidity risk.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

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**DROPSUITE LIMITED****Risk management**

The Group's exposure to market risk, credit risk, liquidity risk and foreign currency risk and policies in regard to these risks are outlined below:

**Market Risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

**Credit Risk**

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, and receivables. The maximum exposure to credit risk at the reporting to recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts, as disclosed in the statement of financial position and notes to the financial report.

Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

**Liquidity Risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unnecessary losses or risking damage to the Group's reputation. The Group's objective is to maintain adequate resources by continuously monitoring forecast and actual cash flows and maturity profiles of assets and liabilities.

**Interest rate risk**

The Group does not have significant borrowings and therefore exposure to interest rate risk is minimal. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash balances with floating interest rates.

The Group's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities at the reporting date are as follows;

**DROPSUITE LIMITED****FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

Financial Instrument	Fixed Interest Rate		Floating Interest Rate		Non-Interest Bearing		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$
(i) Financial assets								
Cash	2,600,000	-	-	-	886,932	4,962,123	3,486,932	4,962,123
Receivables	-	-	-	-	767,969	471,018	767,969	471,018
Total financial assets	2,600,000	-	-	-	1,654,901	5,433,141	4,254,901	5,433,141
Weighted average interest rate	-	-	-	-	-	-	-	-
(ii) Financial liabilities								
Payables	-	-	-	-	648,310	561,180	648,310	561,180
Total financial liabilities	-	-	-	-	648,310	561,180	648,310	561,180

The Company has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

**Interest Rate Sensitivity Analysis**

For the year to 31 December 2018, the effect on profit or loss as a result of changes in the interest rate, with all other variables remaining constant would be not be material.

There is no significant impact of interest rate risk as cash is the only asset with interest rate exposure.

**Net fair values**

The carrying amount approximates fair value for all financial assets and liabilities.

**Foreign currency risk**

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency.

The functional currency of Dropmysite Pte Ltd is Singaporean dollars.

The cash balances are in Australian dollars.

**DROPSUITE LIMITED****NOTE 17: AUDITORS' REMUNERATION**

	<b>CONSOLIDATED</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Audits or review of the financial report of the entity and any other entity in the consolidated group		
- Greenwich and Co Audit Pty Ltd	32,423	35,987
- Kaiden Group	14,054	12,659
	<u>46,477</u>	<u>48,646</u>

**NOTE 18: COMMITMENTS AND CONTINGENCIES**

- (i) Operating lease commitments

The Group had no future non-cancellable operating lease liabilities at 31 December 2018 (2017: nil).

The Group had no contingent liabilities as at 31 December 2018.

There is a legal action from a contractor against Dropsuite Ltd and GCP Capital Pty Ltd as mentioned in the prospectus dated 6 September 2016.

GCP Capital Pty Ltd has indemnified Dropsuite Ltd for any liability and cost associated with the dispute.

**NOTE 19: EVENTS AFTER THE REPORTING DATE**

Subsequent to 31 December 2018:

On 8 January 2019, the Company reported to the ASX that the number of performance shares were overstated by 1,500,000 from 14,183,333 to 13,433,333 for Class E and Class F performance shares.

On 30 January 2019, 13,433,333 ordinary shares were issued as the milestone for Class E performance shares was achieved. This was due to Dropsuite Ltd achieving audited monthly revenues of \$300,000 or more for a minimum of three consecutive months.

On 30 January 2019, 1,500,000 Performance Rights were granted pursuant to an employee incentive grant.

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**DROPSUITE LIMITED**

**Directors' Declaration**

In accordance with a resolution of the directors of Dropsuite Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the year ended on that date; and
  - (ii) complying with Accounting Standards and *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
- (c) Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

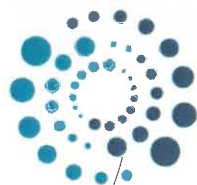
The directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

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



Theo Hnarakis  
Director  
29 March 2019



## Independent Audit Report to the members of Dropsuite Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Dropsuite Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, 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, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (i) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the year ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for Opinion

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

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

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

#### Key Audit Matters

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



### Capitalised software development costs

Refer to Note 8, Intangible Assets and accounting policy Notes 1(n), 1(o) and 1(w)

Key Audit Matter	How our audit addressed the matter
<p>The Group capitalises costs for internally developed software and then amortises the software over its estimated useful life.</p> <p>This is a key audit matter due to the significance of the asset balance to the Group's consolidated statement of financial position and due to judgement involved in:</p> <ul style="list-style-type: none"><li>• The decision to capitalise or expense costs</li><li>• The Group's process for calculating the amount of internally developed software costs, including estimating the amount of time staff spent developing software; and</li><li>• The Group's assessment of the economic useful life of the Software</li></ul>	<p>Our audit work included, but was not restricted to, the following:</p> <ul style="list-style-type: none"><li>• Assessing the nature of projects deemed by management to be capital in nature and evaluating these against the requirements of AASB 138 <i>Intangible Assets</i>;</li><li>• Matching payroll information to the amounts capitalised by management;</li><li>• Reviewing job descriptions for staff that had time capitalised to assess whether they were appropriately included in the cost of internally developed software;</li><li>• Reviewing and challenging management's assumptions and analysing their assessment as to whether impairment indicators exist in relation to the capitalised software costs; and</li><li>• Assessing the amortisation period established and comparing to revenue forecast prepared by management and benchmarking against similar companies in the industry</li></ul>

### Decentralized Operations

Refer to Note 14 Related Party Disclosure and accounting policy Notes 1(c)

Key Audit Matter	How our audit addressed the matter
<p>Dropsuite Limited is a group with subsidiaries in Singapore and US. These decentralized operations require adequate monitoring activities from an internal control perspective. Also in our role as group auditor it is essential that we obtain an appropriate level of understanding of the subsidiaries and the component auditor's work.</p>	<p>Our audit work included, but was not restricted to, the following:</p> <ul style="list-style-type: none"><li>• We have evaluated the group's internal controls, including centralized monitoring controls that exist at both group and segment level;</li><li>• In our audit approach we have specifically focused on risks in relation to decentralised structure and we have been closely involved in the audit performed in Singapore, being the significant subsidiary outside of Australia; and</li><li>• We also performed tests on consolidation adjustments and manual journal entries, both at group and component level to obtain an understanding of significant entries made.</li></ul>

### Other Information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is included in the 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 accordingly 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 on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of Directors for the Financial Report**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Report**

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

As part of an audit in accordance with the 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 Group'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 Group'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 Group 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 Group to express an opinion on the 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, related safeguards.

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 pages 21 to 28 of the directors' report for the year ended 31 December 2018. The directors of the Dropsuite Limited 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 in accordance with Australian Auditing Standards

### *Opinion*

In our opinion, the Remuneration Report of Dropsuite Limited for the year ended 31 December 2018 complies with section 300A of the *Corporations Act 2001*.

Greenwich & Co Audit Pty Ltd  
Greenwich & Co Audit Pty Ltd



**Rafay Nabeel**  
Audit Director

29 March 2019

**DROPSUITE LIMITED****Additional Shareholders Information**

Additional information required by the Australian Stock Exchange (ASX) listing rules are set out below.

**1. Equity Security Holders** - Current as at 25 March 2019

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

**Ordinary Shares**

Ranking	Holder Name	Shares Held	% of total shares
1	MR JOHN ANTHONY FEARON	37,415,184	7.58%
2	MR CHARIF EL ANSARI	28,818,773	5.84%
3	QUEK SEOW KEE	24,568,260	4.98%
4	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	24,507,362	4.96%
5	AAG MANAGEMENT PTY LTD	18,338,001	3.71%
6	RIDLEY MCLEAN RUTH JR	17,594,468	3.56%
7	RONALD THOMAS HART JR	12,894,667	2.61%
8	JASMEET KAUR	12,500,000	2.53%
9	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	11,458,441	2.32%
10	THEODORE JAMES HNARAKIS	11,085,645	2.25%
11	GALIA HOLDINGS INC	10,867,594	2.20%
12	HATCHER PTE LTD	10,363,022	2.10%
13	PHILLIP CARLTON	9,780,000	1.98%
14	CONTENT AND SYSTEMS PTE LTD	9,774,821	1.98%
15	KEHPITAL PRIVATE LTD	6,504,233	1.32%
16	MR RADWAN EL HARIRI <HATCHER SHARES A/C>	5,536,805	1.12%
17	ILWELLA PTY LTD	5,527,473	1.12%
18	VINCENZO CIUMMO	5,433,797	1.10%
19	MOHAMAD EL ANSARI	5,358,135	1.09%
20	GLORY WEALTH GROUP LTD	4,884,162	0.99%
	<b>Total</b>	<b>273,210,843</b>	<b>55.34%</b>
	<b>Total issued capital - selected security class(es)</b>	<b>493,680,533</b>	<b>100.00%</b>

**2. Substantial Shareholders** (Current as at 25 March 2019)

Substantial holders of equity securities in the Company are set out below.

Holder Name	Shares held	% of total shares
MR JOHN ANTHONY FEARON	37,415,184	7.58%
MR CHARIF EL ANSARI	28,818,773	5.84%
QUEK SEOW KEE	24,568,260	4.98%
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	24,507,362	4.96%

**DROPSUITE LIMITED****Distribution of Equity Securities** (Current as at 25 March 2019)

Analysis of numbers of equity security holders by size of holdings:

Class of Security – **Ordinary Shares**

Holding Range	Number of shareholders	Number of shares
1 - 1,000	209	50,872
1,001 - 5,000	104	358,282
5,001 - 10,000	137	1,144,182
10,001 – 100,000	605	23,952,417
100,001 – 9,999,999,999	356	468,174,780
<b>Totals</b>	<b>1,411</b>	<b>493,680,533</b>

**Enquiries**

Shareholders with any enquiries about any aspect of their shareholding should contact the Consolidated Entity's share register as follows:

Automic Pty Ltd

Tel: +61 2 9698 5414

Web: [www.automic.com.au](http://www.automic.com.au)

**Electronic Announcements and Report;**

Shareholders who wish to receive announcements made to the ASX, as well as electronic copies of the Annual Report and Half Yearly Report, are invited to provide their e mail address to the Company. This can be done in writing to the Company Secretary.

**Removal from the Printed Annual Report mailing list**

Shareholders who do not wish to receive the Annual report should advise the Share Registry in writing to remove their names from the mailing list. Those shareholders will continue to receive all shareholder information.

**Change of name / address**

Shareholders who are Issue Sponsored should advise the Share registry promptly of any changes of name and / or address so that correspondence with them does not go astray. All such changes must be advised in writing and cannot be accepted via telephone. Forms can be found on the share Registry website or obtained by contacting the Share registry.

Shareholders who are in CHESS and Brokered Sponsored should instruct their sponsoring brokers in writing to notify the Share Registry of any changes of name and / or address.

In the case of a name change, the written advice must be supported by documentary evidence.

**Consolidation of Shareholdings**

Shareholders who wish to consolidate their separate shareholdings into one account should write to the Share Registry or their sponsoring broker, whichever is applicable.

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**DROPSUITE LIMITED****Stock Exchange Listing**

The Consolidated Entity's shares are listed on the ASX. Details of share transactions and prices published in the financial papers of the daily capital city newspapers under the code DSE.

**Registered Office**

The registered office of the Consolidated Entity is: Dropsuite Limited  
14 Emerald Terrace  
West Perth WA 6005

Telephone: +61 8 9429 2929  
Fax : +61 8 9486 1011  
Website : [www.dropsuite.com](http://www.dropsuite.com)  
Company Secretary: Julian Rockett