



# 2019 ANNUAL REPORT

Year Ended 31 December 2019

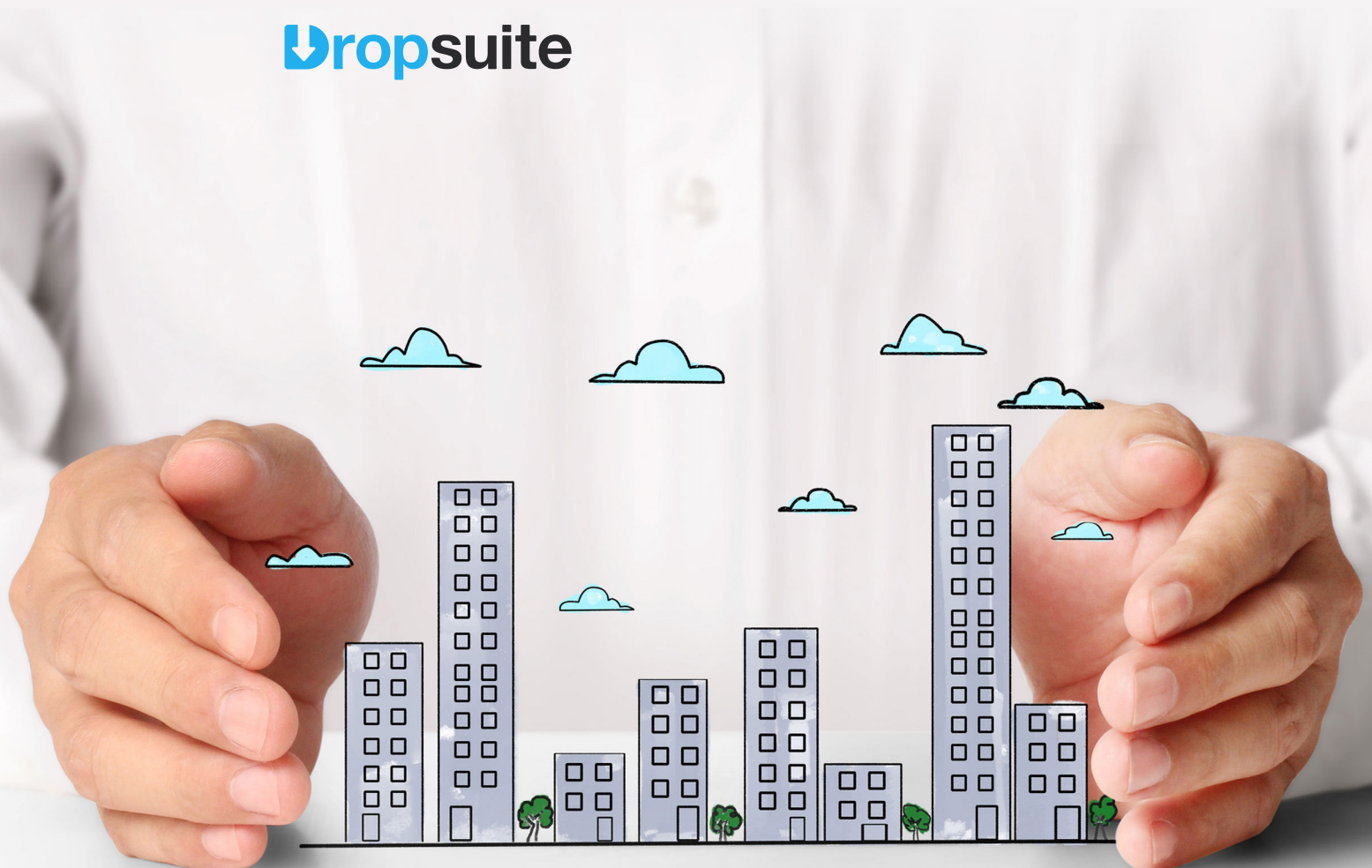


Our mission is to safeguard  
business information. Dropsuite  
helps businesses stay in business.

Dropsuite is a cloud software platform enabling businesses to easily backup, recover and protect their important business information.

Dropsuite's commitment to advanced, secure and scalable cloud technologies keeps us in the forefront of the industry and makes us the choice of leading IT Service Providers globally.

 **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

Dropsuite Limited  
 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

Elderton Audit Pty Ltd (formally Greenwich and Co Audit Pty Ltd)  
 Level 2  
 267 St Georges Terrace  
 Perth WA 6000

## 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 2019 Annual Report.

As you have been made aware throughout the year, 2019 was without doubt a challenging year for our company. Notwithstanding, the key takeaway is that Dropsuite has emerged as a much stronger and resilient business for our partners and customers and this is best reflected in the top line growth that we are now delivering. I am very proud of the excellent progress made in restoring growth to very encouraging levels from the second half of 2019 onwards.

Our talented and highly focused team successfully overcame the challenges they faced and delivered key milestones that have put Dropsuite in a much stronger position for the future. These included accelerating the onboarding of some excellent strategic partners; securing new partnerships; broadening the deployment of our technology into new customer segments; and introducing several valuable and well-received product enhancements and innovations that have increased the appeal of our technology.

In the short space of just over a year, the team transformed the Company from a single product (website backup), single channel (web hosting partners) and single segment (micro and small business) company into a multi-product, multi-channel and multi-segment company. Dropsuite is now rapidly expanding into new channels: the Managed Service Provider (MSP) and IT distribution markets; into new product lines including email backup and the Microsoft Office 365 full product suite backup and archiving; and into new end-user segments from micro businesses through to now Enterprise-grade end-users.

Our company ended the year with a solid Annualised Recurring Revenue (ARR) base of \$5.17M which increased by more than 30 percent from June to December 2019. Equally important, the number of transacting partners grew significantly in 2019, and revenue streams flowing from a wider number of partners and customers have become far more diversified compared to when we started the year. The de-risking and diversification of our revenue base has indeed been a major achievement for the company, and has helped us establish a more solidified foundation for future growth.

It is important to emphasise, especially in what is currently an uncertain global environment with the impact of COVID-19 having far reaching consequences, that Dropsuite is and has always been a 'cloud native' company where deploying, provisioning and supporting its leading backup platform requires no presence at any physical location. The platform was built from Day One to simplify the complete customer journey with as little human involvement as possible.

Furthermore, Dropsuite operates in a large and growing addressable market where the upside for growth is very significant due in part to the ever-growing and changing threats associated with cybersecurity and the burgeoning need for regulatory 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 look ahead with optimism that we can sustain the current growth momentum in 2020 and beyond, setting ambitious goals to achieve, one of which is to reach cash positive generation within the next 24 months.

I would like to thank the Dropsuite team including our dedicated management team and our managing director, Charif Elansari, for the commitment, energy and hard work, and for doing a stellar job in setting the course and executing our strategy successfully.

Finally, I would like to thank my fellow Director, Dr Bruce Tonkin for his contribution throughout 2019 and of course our shareholders for putting their trust and confidence in Dropsuite. We value and respect this trust to deliver long-term shareholder value.

Yours Sincerely,



Theo Hnarakis

Chairman



## MANAGING DIRECTOR'S REPORT

Dear Fellow Shareholders and Employees,

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

Dropsuite safeguards business information by building the industry's most secure, scalable and useable cloud backup technologies. Dropsuite also provides its users with useful and actionable insights for their business and equips businesses and partners with comprehensive compliance tools to comply with ever-growing data privacy protection regulations. In a world that is ever more reliant on digital information and communications, our mission has never been more prescient and remains unchanged. And we expect that the business of data defence 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.

2019 has been a challenging yet transformative year for Dropsuite. Despite a challenging first half, in 2019, we transformed the company into a world-class software provider that is growing in multiple channels, geographies and products. We expanded our sales and user footprint with leading partners globally, enhanced our product and platform and, thanks to the Dropsuite team and its partners, resumed our growth trajectory. While the year-on-year financial comparisons will not portray the progress we have made throughout the year, due to the well documented challenging events that we encountered in 2018 and 2019, we over-achieved our December 2019 Annualised Recurring Revenue (ARR\*) guidance and achieved a record number of transacting partners; thus positioning us well for 2020.

### 2019 FINANCIAL OVERVIEW

For the 12 months to December 2019, total revenue was \$4,753,939 representing a decline of 11% . Revenue from recurring subscription services accounted for 98% of the total. Operating expenses increased from \$6,817,462 to \$7,899,529 mainly due to our investment in growing the sales and engineering

teams to achieve our transformation efforts. The company made a loss of \$3,145,590 compared to a loss of \$1,456,949 a year ago. The expanded loss is mainly due to the well-documented user migration by one of our largest website backup partners. End of year cash position was at \$1,424,004, with Dropsuite completing a very well-supported capital raise that bolstered the company's cash position in February 2020.

## 2019 OPERATIONAL OVERVIEW

As we mentioned earlier, 2019 was a transformational year for Dropsuite. The company transcended the challenge and grew from a single product (website backup), single channel (web hosting partners) and single segment (micro and small business) company into a multi-product, multi-channel and multi-segment company. Dropsuite is now growing rapidly with new channels: the managed service provider and IT distribution channels; new product lines: email and the Microsoft Office 365 full product suite backup and archiving; and new end-user segments: from micro businesses through to now Enterprise-grade end-users.

While the number of paid users declined year-on-year (December 2018 vs December 2019), the average revenue per user grew along with the total ARR and number of transacting partners.

	2019	2018	YEAR-ON-YEAR (%)
ARR (\$M)	\$5.2	\$4.6	12%
ARPU (\$)	\$1.5	\$1.1	36%
USERS (K)	288	350	-18%

The Company is also pleased to report much improved traction on three key performance indicators.

1. Revenue contribution from the top 10 partners dropped from 89% in December 2018 to 74% in December 2019.
2. Revenue contribution from email backup and archiving at 70% vs 30% PCP and very importantly,
3. 2019 partner revenue churn\*\* excluding the aforementioned US partner, is at a healthy 4.4%.

This is attributed to two main factors:

1. The revenue shift from website to the stickier email backup products; and
2. The revenue shift in end-user segment from micro businesses serviced by hosting partners to the more stable small, medium and enterprise businesses serviced by managed service provider (MSP) partners (and occasionally directly).

As evidenced from the rapid growth of Dropsuite's Email and Backup and Archiving product in the last 12 months, the product and engineering team has successfully created a scalable and fast-growing Email Backup and Archiving solution. The software is compatible with major email platforms and can process billions of files/objects, all done seamlessly in the Cloud. Key areas of enhancement and focus in 2019, included but were not limited to:

- Complete Microsoft Office 365 backup
- Security enhancements to reflect Microsoft's "modern multi-factor authentication" guidelines
- Expansion of deployment to a private cloud for Europe's largest hosting provider
- User Interface and user experience upgrades
- Compliance and privacy tools to ensure compliance with the EU's General Data Protection Regulation (GDPR)
- Various technical integrations with strategic partners such as Ingram Micro, ConnectWise and Plesk

### Outlook

We are off to a strong start in 2020; we remain vigilant on operating expenditures, and we have a strong sales funnel and a healthy balance sheet. The company's staff and top line numbers, to date, have not been impacted by the COVID-19 pandemic. Being a cloud native from day one and, we believe, the fact there will be an even stronger appreciation of the criticality of digital information for businesses, large and small, we remain optimistic that the company will achieve solid year-on-year ARR growth in 2020 and beyond.

It is important to note, however, that uncertainty from the COVID-19 pandemic may create impacts out of our control and effect our trajectory short term.

### Final Thoughts

Our strategy continues to revolve around delivering the industry's best experience throughout the customer's lifecycle (sales, product usage and support). With the combination of a winning and relevant product portfolio, a highly responsive and committed team as well as a large addressable market, I remain very excited and optimistic about the company's future.

\*Annualised Recurring Revenue (ARR) is defined as the value of the month's recurring revenue multiplied by 12 months.

\*\* 2019 Revenue Churn is defined as Lost Revenue in 2019 divided by Dec'18 Revenue

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 2019.

### **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, and can be deployed on public and private cloud environments located anywhere in the world. Dropsuite's software platform has been built for successful horizontal scaling and has demonstrated strong ability to scale to millions 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 organisations 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 Office 365 suite of products, including SharePoint, One Drive, Office 365 Groups and Microsoft Teams.

#### **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 the 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 building of operations infrastructure and market growth activities.

The operating loss after income tax of the consolidated group for the year ended 31 December 2019 was \$3,145,590 and the prior year loss after tax \$1,456,949.

### **Review of Operations**

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

Dropsuite's service is already deployed to users globally, in multiple languages and multiple public and private cloud data centres spread around the world.

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 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 to comply with local privacy laws, 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 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 from any device / location with an internet connection

# DROPSUITE LIMITED

## DIRECTORS' REPORT

For the year ended 31 December 2019

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- Automated cloud backups ideal for business continuity and disaster recovery
- Central point of management via admin panel

### *Dropsuite Email Backup and Archiving*

Dropsuite Email Backup and Archiving is a cloud-based email backup and archiving solution that helps businesses 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.

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
- Compliance and business continuity tools
- Admin Panel and Multiple User Access Manager
- Viewable from any device / location
- Advanced Search, eDiscovery, and Alert creations
- Insights and Analytics
- Unlimited storage & retention period

### *Dropsuite for Microsoft Office 365*

Dropsuite for O365 is a complete cloud-based backup and archiving solution that is especially built for Microsoft Office 365 (O365). It securely backups, manages, recovers, complies and protects all O365 data including One Drive, SharePoint, Office 365 Groups and Microsoft Teams. The product uniquely provides a single pane of glass, with a management console that provides a unified display of the data associated with the O365 suite of products. The very recent launch of Insights and Analytics uses *Big Data* techniques 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
- Compliance and business continuity tools
- Admin Panel and Multiple User Access Manager
- Viewable from any device / location
- Advanced Search, eDiscovery across O365 suite of products
- Insights and Analytics
- Unlimited storage & retention period

### **Financial position**

The net assets of the consolidated group have decreased by \$3,157,691 from 31 December 2018 to \$1,797,610 as at 31 December 2019. This decrease was largely due to the cash outflow for operating activities.

# DROPSUITE LIMITED

## DIRECTORS' REPORT

For the year ended 31 December 2019

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

### Capital Structure and Performance Shares

Capital structure	Number of securities on issue
SHARES	
Shares on issue 1 January 2019	480,247,200
Issue of Shares under the Public Offer	-
Performance shares exercised (i)	13,433,333
TOTAL SHARES on Issue 31 December 2019	493,680,533

(i) Milestone was reached for Class E Performance Shares

PERFORMANCE SHARES	
Opening Performance Shares on issue	31,366,666
Performance Shares Exercised	(13,433,333)
TOTAL PERFORMANCE SHARES	17,933,333

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 Management Pty Ltd (ABN 75 125 476 824) (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.

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

# DROPSUITE LIMITED

## DIRECTORS' REPORT

For the year ended 31 December 2019

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:

Nil

### Events after the Reporting Date:

Subsequent to 31 December 2019:

As announced on the 10 February 2020, the company successfully completed an institutional placement of 60,472,080 shares @ \$0.045 totalling \$2,721,244.

A private placement was confirmed in an announcement on the 18 February 2020 for a further 1,499,999 shares @ \$0.045 totalling \$67,499. On the 5 March 2020 the company announced the completion of a share purchase plan of 6,355,545 ordinary shares @ \$0.045 totalling \$286,000. On the 11 March 2020 it was announced that Dropsuite's Key Management Personnel (KMP) subscribed to 2,444,442 shares as per below:

Key Management Personnel (KMP)	Number of shares
Theo Hnarakis (non-executive chairman)	666,666
Bruce Tonkin (non-executive director)	666,666
Charif el Ansari (managing director)	666,666
Bill Kyriacou (head of finance)	444,444
Total Key Management Personnel (KMP) shares subscribed	<b>2,444,442</b>

### 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 conservation, 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 2019

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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

##### Other former directorships in the last three years

11,085,645 ordinary shares

Farmgate MSU Pty Ltd (Provenir)

Tapp Money, Crowd Mobile Limited

#### 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

28,818,773 ordinary shares and 3,600,000 Class F performance shares

##### Other current directorships

Nil

# DROPSUITE LIMITED

## DIRECTORS' REPORT

For the year ended 31 December 2019

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### **Dr Bruce Tonkin**

#### **Qualifications**

Non-Executive Director (appointed 22 February 2017)  
B. Electrical and Electronic Engineering (1<sup>st</sup> class honours),  
Ph.D. in Electrical and Electronic Engineering from  
University of Adelaide.

#### **Experience**

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.

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.

#### **Other current directorships**

None

#### **Other former directorships in the last three years.**

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.

#### **Interests in shares and Options**

847,457 ordinary shares

### **Information on secretary:**

### **Mr Julian Rockett**

#### **Experience**

Appointed 24/12/2018

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.

#### **Interests in shares and Options**

Nil

# DROPSUITE LIMITED

## DIRECTORS' REPORT

For the year ended 31 December 2019

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### Meetings of Directors:

During the financial year, 16 meetings of directors (including circular resolutions) were held. Attendances were:

Director	Number of meetings attended	Number of eligible meetings to attend
Theo Hnarakis	16	16
Charif El Ansari	16	16
Bruce Tonkin	16	16

### Options

At the date of this report, there are no unissued ordinary shares of Dropsuite Limited under options.

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 2019 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 2019.

There are no other service agreements in place with KMP.

# DROPSUITE LIMITED

## DIRECTORS' REPORT

For the year ended 31 December 2019

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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:	On-going
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:	Ridley Ruth
Title:	Chief Operating Officer
Agreement commenced:	1 November 2015
Term of agreement:	On-going
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\$170,400 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:	On-going
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 2019 of A\$7,500 per month (excl GST). 1 month termination notice by either party. Paid in Australian Dollars (AUD).

# DROPSUITE LIMITED

## DIRECTORS' REPORT

For the year ended 31 December 2019

### For 12 months ended 31 December 2019

AUD	Year	Cash Salary and fees	Financial KPI	Non- financial KPI (iv)	Share based payments	Post- employ ments benefits	Other	Total
<b>2019</b>								
<i>Non-Executive Directors:</i>								
Theo Hnarakis (i)	2019	133,462	-	-	-	13,063	-	146,525
	2018	150,000	-	-	-	14,250	-	164,250
Bruce Tonkin (ii)	2019	62,166	-	-	-	6,096	-	68,262
	2018	70,000	-	-	-	6,650	-	76,650
Julian Rockett (company secretary) (iv)	2019	42,000	-	-	-	-	-	42,000
	2018	895	-	-	-	-	-	895
Kobe Li (company secretary) (v)	2019	-	-	-	-	-	-	-
	2018	8,733	-	-	-	-	-	8,733
Ivan Tatkovich (company secretary) (vi)	2019	-	-	-	-	-	-	-
	2018	5,262	-	-	-	-	-	5,262
<i>Executive Directors:</i>								
Charif el Ansari (MD) (iii)	2019	249,697	103,980	357	-	-	-	354,034
	2018	285,825	102,715	-	-	-	-	388,540
Zoran Grujic (vii)	2019	-	-	-	-	-	-	-
	2018	96,000	-	-	-	-	-	96,000
<i>Other Key Management Personnel:</i>								
Ridley Ruth (COO) (viii)	2019	245,163	103,590	47,728	-	-	-	396,481
	2018	228,254	104,521	-	-	-	-	332,775
Ron Hart (CTO)	2019	226,981	48,978	1,679	-	-	-	277,638
	2018	217,643	46,794	-	-	-	-	264,437
Bill Kyriacou (Head of Finance) (ix)	2019	87,500	-	-	-	-	-	87,500
	2018	28,225	-	-	-	-	-	28,225
<b>Total AUD</b>	2019	1,046,969	256,548	49,764	-	19,159	-	1,372,440
	2018	1,090,837	254,030	-	-	20,900	-	1,365,767

- (i) Theo Hnarakis from July to December 2019 he received 25% less than his net wages and the difference was accrued and will be paid in April 2020

# DROPSUITE LIMITED

## DIRECTORS' REPORT

For the year ended 31 December 2019

- (ii) Bruce Tonkin from July to December 2019 he received 25% less than his net wages and the difference was accrued and will be paid in April 2020
- (iii) Charif el Ansari from July to December 2019 he received 25% less than his net wages and the difference was accrued and will be paid in April 2020
- (iv) Julian Rockett, company secretary provided through BoardRoom Pty Ltd
- (v) Kobe Li, company secretary provided through BoardRoom Pty Ltd (commenced 23 August 2018 and resigned 8 November 2018)
- (vi) Ivan Tatkovich, company secretary provided through BoardRoom Pty Ltd (commenced 8 November 2018 and resigned 24 December 2018)
- (vii) Resigned as company secretary 23 August 2018
- (viii) The non- cash benefits are health insurance benefits. Ridley Ruth who domiciles in the United States, received \$47,728 as a benefit.
- (ix) Commenced on 15 August 2018

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

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2019	2018	2019	2018	2019	2018
<i>Non-Executive Directors:</i>						
Theo Hnarakis	100%	100%	-	-	-	-
Bruce Tonkin	100%	100%	-	-	-	-
<i>Executive Directors:</i>						
Charif El Ansari	71%	71%	29%	29%	-	-
Boardroom Pty Limited	100%	-	-	-	-	-
<i>Other Key Management Personnel:</i>						
Ridley Ruth (COO)	74%	75%	26%	25%	-	-
Ron Hart (CTO)	82%	80%	18%	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.

# DROPSUITE LIMITED

## DIRECTORS' REPORT

For the year ended 31 December 2019

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

Name	Cash bonus paid/payable		Cash bonus forfeited	
	2019	2018	2019	2018
<i>Non-Executive Directors:</i>				
Theo Hnarakis	-	-	-	-
Bruce Tonkin	-	-	-	-
<i>Executive Directors:</i>				
Charif El Ansari	0%	85%	100%	15%
Boardroom Pty Limited	-	-	-	-
Other Key Management Personnel:				
Ridley Ruth (COO)	50%	65%	50%	35%
Ron Hart (CTO)	0%	86%	100%	14%
Bill Kyriacou (Head of Finance)	-	-	-	-

### (i) Ordinary Shareholdings

The number of ordinary shares held in Dropsuite Ltd by each KMP during the 12 months to 31 December 2019 is as follows:

Name and Position held	Balance 01/01/2019 or at date of appointment	Purchases	Received on exercise of options	Received on vesting and exercise of performance shares	Balance 31/12/2019 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>	-	-	3,600,000	<b>28,818,773</b>
<b>Bruce Tonkin</b> non-executive director)	<b>847,457</b>	-	-	-	<b>847,457</b>
<b>Ridley Ruth</b> (COO)	<b>14,894,468</b>	-	-	2,700,000	<b>17,594,468</b>
<b>Ron Hart</b> (CTO)	<b>9,594,667</b>	-	-	3,300,000	<b>12,894,667</b>
<b>Bill Kyriacou</b> (CFO)	<b>100,000</b>	-	-	-	<b>100,000</b>
<b>Total</b>	<b>61,741,010</b>	-	-	<b>9,600,000</b>	<b>71,341,010</b>

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

For the year ended 31 December 2019

**(ii) Options**

There are no options on issue.

**(iii) Performance shares**

<b>Name and position held</b>	<b>Balance 01/01/2019</b>	<b>Number of performance shares granted/exercised</b>	<b>Number of performance shares lapsed</b>	<b>Balance at 31/12/2019</b>
<b>Theo Hnarakis</b> (non-executive chair)	-	-	-	-
<b>Charif el Ansari</b> (managing director)	7,200,000	3,600,000	-	<b>3,600,000</b>
<b>Bruce Tonkin</b> non-executive director)	-	-	-	-
<b>Ridley Ruth</b> (COO)	5,400,000	2,700,000	-	<b>2,700,000</b>
<b>Ron Hart</b> (CTO)	6,600,000	3,300,000	-	<b>3,300,000</b>
<b>Bill Kyriacou</b> (CFO)	-	700,000	-	<b>700,000</b>
<b>Total</b>	<b>19,200,000</b>	<b>10,300,000</b>	-	<b>10,300,000</b>

Performance shares on issue at 31 December 2019 held by Charif El Ansari are as follows: (i)

Class A Performance shares	-
Class B Performance shares	-
Class C Performance shares	-
Class F Performance shares	3,600,000
	<b>3,600,000</b>

(i) Refer to Note 10 for terms and conditions

**(iv) Performance rights**

Performance Rights on issue at 31 December 2019 are as follows (i):

Performance rights pursuant to an employee incentive grant (ii)	1,500,000
Performance rights (long term Incentives to employees not being the CEO, COO or the CTO) (iii)	12,080,000
	<b>13,580,000</b>

(i) Refer to Note 10 for terms and conditions

(ii) Performance rights issued on the 30 January 2019.

(iii) Performance rights issued on the 17 July 2019

### **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 2019.

### **Voting and comments made at the Company's 2018 Annual General Meeting ("AGM")**

At the 2018 AGM, held 21 May 2019, the voters supported the adoption of the remuneration report for the year ended 31 December 2018. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

### **End of Remuneration Report (Audited)**

#### **Indemnities and insurance officers**

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

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

#### **Indemnity and insurance of auditor**

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

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

### **Proceedings on behalf of the Company**

No person has applied 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**

# DROPSUITE LIMITED

## DIRECTORS' REPORT

For the year ended 31 December 2019

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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 2019.

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: 30 March 2020

## DROPSUITE LIMITED

### CORPORATE GOVERNANCE

For the year ended For the year ended 31 December 2019

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.

All references to the Company’s website in this Statement is [www.dropsuite.com/investor](http://www.dropsuite.com/investor) relations.

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 For the year ended 31 December 2019

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 For the year ended 31 December 2019

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 provides annual disclosures on gender representation.</p>	Partial compliance.
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**DROPSUITE LIMITED**  
**CORPORATE GOVERNANCE**

For the year ended For the year ended 31 December 2019

	Principles and Recommendations	Compliance	Comply
1.6	<p>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>
1.7	<p>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 2019 a 360-degree leadership assessment was conducted on Managing Director Mr Charif El Ansari, senior staff performance, and other directors.</p>	<p>Complies</p>

## DROPSUITE LIMITED

### CORPORATE GOVERNANCE

For the year ended For the year ended 31 December 2019

<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 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>The Nomination Committee Charter is available on the Company's website. However, 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 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 published a Board skill matrix will consider this with other skills and experience or networking desirability when considering future Directors.</p>	Complies.

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

For the year ended For the year ended 31 December 2019

2.3	<p>A listed entity should disclose:</p> <p>(a) the names of the directors considered by the board to be independent directors; and</p> <p>(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</p> <p>(c) the length of service of each director.</p>	<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 is an independent non-executive director.	Complies.

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

For the year ended For the year ended 31 December 2019

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's code of conduct is available on the Dropsute's website.	Complies
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## DROPSUITE LIMITED

### CORPORATE GOVERNANCE

For the year ended For the year ended 31 December 2019

<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>The Audit and Risk Committee Charter is available on the Company's website. However, 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 full board, without management present, with regards to their audit report and other matters that have arisen during its 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> <p>Does not comply</p>

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

For the year ended For the year ended 31 December 2019

4.2	<p>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.</p>	<p>The Board receives a statement signed by those performing the roles of the Managing Director and the Chief Financial Officer.</p>	<p>Complies</p>
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**DROPSUITE LIMITED**  
**CORPORATE GOVERNANCE**

For the year ended For the year ended 31 December 2019

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 available 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's website.	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 provides this information about its governance on the Company's website.	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 website.	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 Communications Strategy is available on the Company's website.	Complies

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

For the year ended For the year ended 31 December 2019

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 holders can elect to receive communications from the Company electronically either by contacting the Company's share registry, 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>The Audit and Risk Committee Charter is available on the Company's website. However, 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**  
**CORPORATE GOVERNANCE**

For the year ended For the year ended 31 December 2019

7.2	<p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>The Board reviewed the company's risk management framework at least annually and did bi-annually in 2019.</p>	<p>Complies</p>
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Principles and Recommendations	Principles and Recommendations	Principles and Recommendations	Principles and Recommendations
7.3	<p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(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.</p>	<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>	<p>Does not comply</p>
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 in the Annual Report.</p>	<p>Complies</p>

## DROPSUITE LIMITED

### CORPORATE GOVERNANCE

For the year ended For the year ended 31 December 2019

<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 for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p>The Remuneration Committee Charter is available on the Company's website. However, 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>	Does not comply
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive director and other senior executive.	The Company discloses its practices in relation to the remuneration of non-executive directors and senior executives in its annual remuneration report contained in the Annual Report.	Complies

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

For the year ended For the year ended 31 December 2019

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. The Company is putting to shareholders in 2020 an equity-based remuneration scheme.</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.

## DROPSUITE LIMITED

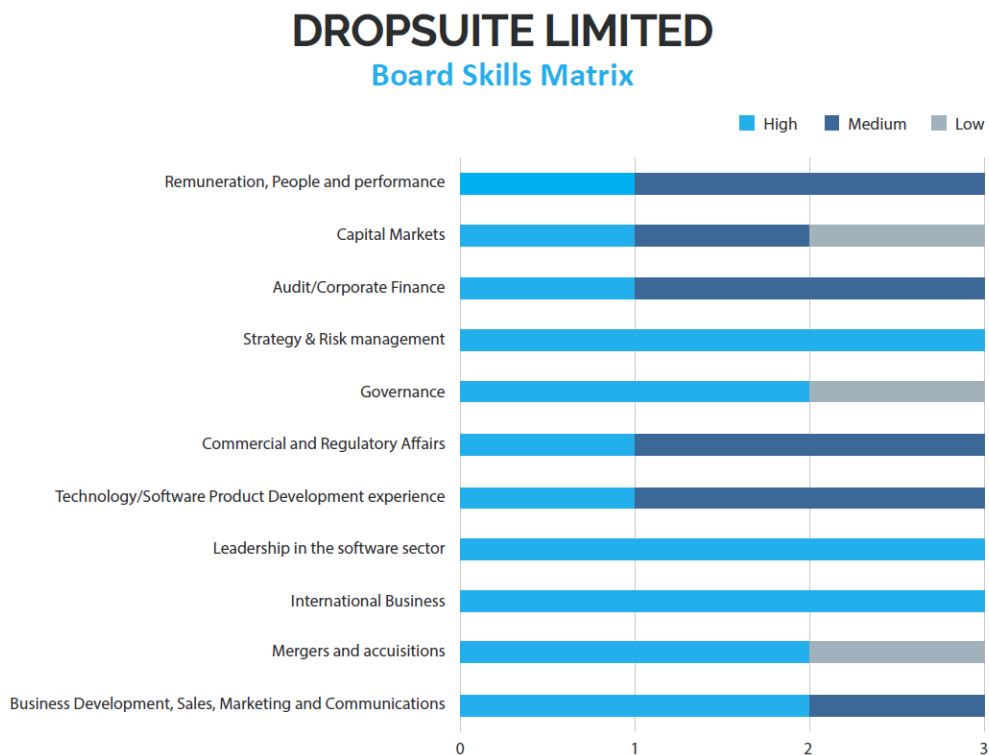
### CORPORATE GOVERNANCE

For the year ended For the year ended 31 December 2019

#### Board Skills Matrix

The Board of Dropsuite Limited is comprised of directors with a broad range of technical, commercial, financial and other skills, experience and knowledge relevant to overseeing the business of cloud email backup and archive services. The composition of the Board will be reviewed on an annual basis with reference to the Company's skills matrix which is used as a tool to assess the appropriate balance of skills, experience, independence and diversity necessary for the Board to discharge its duties and responsibilities effectively.

A summary of the collective skills, experience, independence and diversity of the Board is set out below and is current as at December 2019.



## DROPSUITE LIMITED

### CORPORATE GOVERNANCE

For the year ended For the year ended 31 December 2019

#### 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 2019 was as follows:

- |   |            |
|---|------------|
| • <i>Women employees in the consolidated entity</i> | <i>10%</i> |
| • <i>Women in senior management positions</i>       | <i>0%</i>  |
| • <i>Women on the board</i>                         | <i>0%</i>  |

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)

### **Auditor's Independence Declaration**

As auditor for the audit of Dropsuite Limited for the year ended 31 December 2019, 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.

Elderton Audit Pty Ltd

**Elderton Audit Pty Ltd**



**Rafay Nabeel**  
Audit Director

30 March 2020  
Perth

## Consolidated Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 31 December 2019

		CONSOLIDATED	
		2019	2018
		\$	\$
<b>Income</b>			
Sales revenue	4(a)	4,681,006	5,218,418
Other income	4(a)	38,089	70,813
Interest Income		34,844	71,282
Total Income		4,753,939	5,360,513
<b>Expenses</b>			
Hosting fees		1,690,534	1,216,259
Marketing and conference expenses		279,249	354,500
Professional fees	4(b)	114,481	14,473
Employee and director expenses	4(b)	3,824,129	3,376,867
Depreciation expense		72,688	29,370
Amortisation expense	8	756,323	590,149
Office expenses	4(b)	551,968	400,386
Other operating expenses	4(b)	311,006	537,016
Other expenses	4(b)	299,151	298,442
<b>Loss from continuing operations</b>		<b>(3,145,590)</b>	<b>(1,456,949)</b>
Income tax expense	12	-	-
<b>Loss after income tax for the year</b>		<b>(3,145,590)</b>	<b>(1,456,949)</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit and loss</i>			
Exchange differences in translating foreign operations		(25,954)	127,369
<b>Total other comprehensive loss</b>		<b>(25,954)</b>	<b>127,369</b>
<b>Total comprehensive loss for the year</b>		<b>(3,171,544)</b>	<b>(1,329,580)</b>
Basic Loss per share	5	(0.64)	(0.27)
Diluted loss per share	5	(0.64)	(0.27)

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

**Consolidated Statement of Financial Position**  
**As at 31 December 2019**

		<b>CONSOLIDATED</b>	
	<b>Note</b>	<b>2019</b>	<b>2018</b>
		<b>\$</b>	<b>\$</b>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6	1,424,004	3,486,932
Trade and other receivables	7	797,850	767,969
Other assets		76,637	137,747
<b>Total current assets</b>		<b>2,298,490</b>	<b>4,392,648</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		43,055	42,888
Intangible Assets	8	454,924	1,211,246
Investments		5,017	6,511
Other		60,888	64,268
<b>Total non-current assets</b>		<b>563,885</b>	<b>1,324,913</b>
<b>Total assets</b>		<b>2,862,376</b>	<b>5,717,561</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	9	658,916	613,992
Wages payable		291,242	34,319
Deferred income		64,054	63,607
<b>Total current liabilities</b>		<b>1,014,212</b>	<b>711,918</b>
<b>NON-CURRENT LIABILITIES</b>			
Other		50,343	50,343
<b>Total non-current liabilities</b>		<b>50,343</b>	<b>50,343</b>
<b>Total liabilities</b>		<b>1,064,555</b>	<b>762,261</b>
<b>Net assets</b>		<b>1,797,820</b>	<b>4,955,301</b>
<b>EQUITY</b>			
Contributed equity	10	21,138,601	21,138,601
Reserves	10	104,240	116,131
Accumulated losses	11	(19,445,021)	(16,299,431)
<b>Total equity</b>		<b>1,797,820</b>	<b>4,955,301</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 2019**

<b>2019 CONSOLIDATED</b>	<b>Issued capital</b>	<b>Foreign exchange reserve</b>	<b>Share Based Payments Reserve</b>	<b>Accumulated losses</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Balance at 1 January 2019</b>	<b>21,138,601</b>	<b>116,130</b>	<b>-</b>	<b>(16,299,430)</b>	<b>4,955,301</b>
<b>Comprehensive income</b>					
Loss after income tax expense for the year	-	-	-	(3,145,590)	(3,145,590)
Other comprehensive income for the year, net of tax	-	(25,954)		-	(25,954)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>(25,954)</b>		<b>(3,145,590)</b>	<b>(3,171,543)</b>
<b>Transactions with owners in their capacity as owners:</b>					
Issue of share capital	-	-		-	-
Share Based Premium Reserve	-	-	14,062		14,062
<b>Total transactions with owners and other transfers</b>	<b>-</b>	<b>-</b>	<b>14,062</b>		<b>14,062</b>
<b>Balance at 31 December 2019</b>	<b>21,138,601</b>	<b>90,176</b>	<b>14,062</b>	<b>(19,445,020)</b>	<b>1,797,820</b>

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

<b>2018 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 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>

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 2019

	Note	CONSOLIDATED 2019 \$	2018 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from sales		4,452,744	4,705,740
Payments to suppliers and employees		(6,463,718)	(5,746,716)
Interest paid		-	-
Interest received		41,277	63,169
<b>Net cash used in operating activities</b>	<b>6</b>	<b>(1,969,697)</b>	<b>(977,807)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Payments for property, plant and equipment		(93,231)	(47,180)
Cash acquired on acquisition of Dropsuite		-	-
Loans to related parties		-	-
Payment for development costs		-	(450,204)
<b>Net cash provided used in financing activities</b>		<b>(93,231)</b>	<b>(497,384)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from capital raising		-	-
Proceeds from borrowings		-	-
Payment of borrowings		-	-
<b>Net cash provided by financing activities</b>		<b>-</b>	<b>-</b>
<b>Net (decrease) in cash and cash equivalents held</b>		<b>(2,062,928)</b>	<b>(1,475,191)</b>
Cash and cash equivalents at the beginning of the financial year		3,486,932	4,962,123
<b>Cash and cash equivalents at the end of the financial year</b>	<b>6</b>	<b>1,424,004</b>	<b>3,486,932</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 31 March 2020.

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**

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policy and make retrospective adjustments as a result of adopting **AASB 16 Leases**.

The impact of the adoption of the leasing standard and the new accounting policies are disclosed below. The other standards did not have any impact on the Group’s accounting policies and did not require retrospective adjustments.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2019. As a result of this review the Directors have determined that there is no impact, material or otherwise, of these new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

*AASB 16 Leases**Change in accounting policy*

The Group has adopted AASB 16 Leases from 1 January 2019 which has resulted in changes in the classification, measurement and recognition of leases. The new standard requires recognition of a right-of-use asset (the leased item) and a financial liability (lease payments) and removes the former distinction between ‘operating’ and ‘finance’ leases. The exceptions are short-term leases and leases of low value assets.

The Group has adopted AASB 16 using the modified retrospective approach under which the reclassifications and adjustments arising from the new leasing rules are recognised in the opening statement of financial position on 1 January 2019. There is no initial impact on accumulated losses under this approach and comparatives have not been restated.

From 1 January 2019, where the Group is lessee, the Group recognises a right-of-use asset and a corresponding liability at the date at which the lease asset is available for use by the Group. Each lease

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payment is allocated between the liability and the finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

The Group's current lease agreement does not contain any extension options.

Right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before commencement date less any lease incentives received, and any initial direct costs.

Where the terms of a lease require the Group to restore the underlying asset, or the Group has an obligation to dismantle and remove a leased asset, a provision is recognised and measured in accordance with AASB 137. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset.

Where leases have a term of less than 12 months or relate to low value assets the Group may apply exemptions in AASB 16 to not capitalise any such leases and instead recognise the lease payments on a straight-line basis as an expense in profit or loss.

#### *Impact on adoption of AASB 16*

The Group leases office premises with a two year term. Prior to 1 January 2019 the lease was classified as an operating lease with payments charged to profit or loss on a straight-line basis over the period of the lease. Upon adoption of AASB 16 the Group recognised a lease liability for this lease, measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 1 January 2019, being 10%.

On initial application the associated right-of-use asset was measured at the amount equal to the lease liability, adjusted for prepaid lease payments recognised in the statement of financial position as at 31 December 2019.

In the statement of cash flows the Group has recognised cash payments for the principal portion of the lease liability within financing activities and cash payments for the interest portion of the lease liability as interest paid within operating activities.

**DROPSUITE LIMITED**

The adoption of AASB 16 resulted in the recognition of a right-of-use asset of \$46,345 and lease liability of \$39,028 in respect of the office lease. There was no impact on accumulated losses at 1 January 2019.

*Practical expedients applied*

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the Group has elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered before the transition date the Group relied on its assessment made applying AASB 117 Leases and Interpretation 4 Determining whether an Arrangement contains a Lease; and
- reliance on previous assessments on whether leases are onerous.

*Reconciliation of operating lease commitments to lease liability*

Below is a reconciliation of total operating lease commitments as at 31 December 2019, as disclosed in the annual financial statements for the year ended 31 December 2019, and the lease liability recognised on 1 January 2020:

	31 Dec 2019
	\$
Operating lease commitments disclosed as at 31 December 2019	\$39,028
Adjustment for prepayment at 31 December 2019	(\$39,028)
	-
Discounted using the lessee's incremental borrowing rate at the date of initial application and lease liability recognised as at 1 January 2020	-

**(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

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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.

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

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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.

**(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****AASB 15 Revenue.****(1) Revenue****Recognition and Measurement**

Revenues are recognised at fair value of the consideration received or receivable net of the amount GST or relevant sales tax payable to the relevant taxation authority.

**DROPSUITE LIMITED*****Performance obligations and timing of revenue recognition***

The majority of the Group's revenue is derived from selling services with revenue recognised at a point in time when service has been delivered or consumed by the customer and control has transferred to the customer. This is generally when the services are delivered to or consumed by the customer. There is limited judgement needed in identifying the point control passes.

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.

***Determining the transaction price***

Most of the Group's revenue is derived from fixed price contracts and therefore the amount of revenue to be earned from each contract is determined by reference to those fixed prices.

***Allocating amounts to performance obligations***

For most contracts, there is a fixed unit price for each product sold, with discounts sometimes given for orders placed at a specific time. Therefore, there is no judgement involved in allocating the contract price to each product ordered in such contracts. Where a customer orders more than one product line, the Group is able to determine the split of the total contract price between each product line by reference to each product's standalone selling prices (all product lines are capable of being, and are, sold separately).

***Costs of fulfilling contracts***

No judgement is needed to measure the amount of costs of obtaining contracts – it is the commission paid.

**(2) Other income**

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Grants from the government are recognised as other income when they are received by the Group and all attached conditions have been fulfilled.

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

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

An asset is 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.

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**DROPSUITE LIMITED****(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 have been enacted or substantively 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

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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.

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.

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**DROPSUITE LIMITED****(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.

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:

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- 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**

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain significant financing component or if the practical expedient was applied as specified in AASB 15.63.

**Classification and subsequent measurement***Financial assets*

Financial assets are subsequently measured at:

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- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit or loss

On the basis of the two primary criteria:

- the contractual cash flow characteristics of the financial asset; and
- the business model for managing the financial assets

A financial asset is subsequently measured at amortised cost when it meets the following conditions:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

A financial asset is subsequently measured at fair value through other comprehensive income when it meets the following conditions:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates; and
- the business model for managing the financial asset comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the measurement conditions of amortised cost and fair value through other comprehensive income are subsequently measured at fair value through profit or loss.

#### *Financial liabilities*

Financial liabilities are subsequently measured at:

- amortised cost; or
- fair value through profit or loss

A financial liability is measured at fair value through profit and loss if the financial liability is:

- a contingent consideration of an acquirer in a business combination to which AASB 3 applies
- held for trading; or
- initially designated as at fair value through profit or loss

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

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The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense over in profit or loss over the relevant period.

The effective interest rate is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

A financial liability is held for trading if it is:

- incurred for the purpose of repurchasing or repaying in the near term;
- part of a portfolio where there is an actual pattern of short-term profit taking; or
- a derivative financial instrument (except for a derivative that is in a financial guarantee contract or a derivative that is in an effective hedging relationship)

Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

#### *Ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

#### **Derecognition**

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

#### *Derecognition of financial liabilities*

A liability is derecognised when it is extinguished (i.e. when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

#### *Derecognition of financial assets*

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All the following criteria need to be satisfied for derecognition of a financial asset:

- the right to receive cash flows from the asset has been expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the entity no longer controls the asset (i.e. it has no practical ability to make unilateral decisions to sell the asset to a third party).

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On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a debt instrument classified as at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

On derecognition of an investment in equity which was elected to be classified under fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

*Impairment of financial assets*

An impairment loss is recognised for the expected credit losses on financial assets when there is an increased probability that the counterparty will be unable to settle an instrument's contractual cash flows on the contractual due dates, a reduction in the amounts expected to be recovered, or both. The probability of default and expected amounts recoverable are assessed using reasonable and supportable past and forward-looking information that is available without undue cost or effort. The expected credit loss is a probability-weighted amount determined from a range of outcomes and takes into account the time value of money.

For trade receivables, material expected credit losses are measured by applying an expected loss rate to the gross carrying amount. The expected loss rate comprises the risk of a default occurring and the expected cash flows on default based on the aging of the receivable. The risk of a default occurring always takes into consideration all possible default events over the expected life of those receivables ("the lifetime expected credit losses"). Different provision rates and periods are used based on groupings of historic credit loss experience by product type, customer type and location.

For intercompany loans that are repayable on demand, expected credit losses are based on the assumption that repayment of the loan is demanded at the reporting date. If the subsidiary does not have sufficient accessible highly liquid assets in order to repay the loan if demanded at the reporting date, an expected credit loss is calculated. This is calculated based on the expected cash flows arising from the subsidiary, and weighted for probability likelihood variations in cash flows.

**(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).

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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.

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

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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.

**(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.

**(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.

**DROPSUITE LIMITED****(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.

**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

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**DROPSUITE LIMITED**

- (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.

**(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.

**DROPSUITE LIMITED****NOTE 2: PARENT ENTITY INFORMATION**

	<b>2019</b>	<b>2018</b>
Information relating to Dropsuite Limited (the legal parent entity):	<b>\$</b>	<b>\$</b>
Current assets	990,579	2,804,999
Fixed Assets	454,924	1,211,247
Non-current assets	5,575,215	4,394,941
Total assets	7,020,719	8,411,187
Current liabilities	108,091	227,921
Non-Current Liabilities	50,343	50,343
Total liabilities	158,434	278,264
Issued capital	21,337,275	21,337,275
Accumulated losses	(14,727,854)	(13,443,154)
Reserves	28,742	14,680
Costs of capital	224,122	224,122
Total shareholders' equity	6,862,285	8,132,923
Loss of the parent entity	1,284,700	775,226
Total comprehensive loss of the parent entity	1,284,700	775,226

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 2019.

**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 2019, 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.

**NOTE 4: REVENUE AND EXPENSES**

<b>4(a) Revenue from continuing operations</b>	<b>CONSOLIDATED</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Sales income	4,681,006	5,218,418
Other Income	38,089	70,813
Interest income	34,844	71,282
Total Income	4,753,939	5,360,513
<b>4(b) Expenses</b>		
<b>Professional fees</b>		
Accounting, audit and taxation expenses	107,571	71,624
Legal expenses	6,910	(57,151)
<b>Total professional fees</b>	<b>114,481</b>	<b>14,473</b>

**DROPSUITE LIMITED****(ii) Employee and director expenses**

Wages, salaries and superannuation	3,266,640	2,838,993
Directors	557,489	537,874
<b>Total employee benefits expense</b>	<b>3,824,129</b>	<b>3,376,867</b>

**(iii) Office expenses**

IT expenses	205,755	139,919
Impairment expense	1,494	3,105
Office rental expenses	43,569	66,512
Bank fees	13,051	9,298
Office services	227,171	133,982
Other office expenses	60,930	47,570
<b>Total Office expenses</b>	<b>551,970</b>	<b>400,386</b>

**(iv) Other operating expenses**

Foreign Currency Gains and Losses	33,527	156,809
Withholding Tax	178,286	253,380
Corporate advisory & listing fees	99,193	126,827
<b>Total operating expenses</b>	<b>311,006</b>	<b>537,016</b>

**(v) Other expenses**

Bad debt expense	1,043	-
Share based premium expense	14,062	-
Transportation and travelling expenses	222,744	242,685
Insurance expense	61,302	55,757
<b>Total other expenses</b>	<b>299,151</b>	<b>298,442</b>

**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:

**DROPSUITE LIMITED**

	<b>CONSOLIDATED</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Net loss after income tax benefit attributable to members	(3,145,590)	(1,456,949)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS and diluted EPS (i)	492,650,031	480,247,200
Earnings per share (cents)	(0.64)	(0.27)

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>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Cash at bank	1,424,004	3,486,932

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.

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

	<b>CONSOLIDATED</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax	(3,145,590)	(1,456,949)
Add back non-cash items		
Impairment expense	(1,494)	(1,520)
Amortisation and depreciation expense	829,011	619,519
Foreign exchange	(25,954)	127,369
Movements in assets and liabilities relating to operating activities		
(Increase) / decrease in trade and other receivables	(29,881)	(296,951)
(Increase) / decrease in other current assets	61,111	(54,630)
(Increase) / decrease in investments	1,494	3,106
(Increase) / decrease in other non-current assets	3,379	(64,268)
Increase / (decrease) in trade and other payables	66,794	184,965
Increase / (decrease) in wages payables	256,924	52,164
Increase / (decrease) in deferred income	447	9,044
Increase / (decrease) in provisions	-	(150,000)
Increase / (decrease) in other non-current liabilities	-	50,344
Increase / (decrease) in equity	14,062	-
Cash out flow used in operating activities	(1,969,697)	(977,807)

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

**NOTE 7: TRADE AND OTHER RECEIVABLES**

	<b>CONSOLIDATED</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Trade and other receivables	797,850	767,969
	797,850	767,969

All receivables are current and not impaired.

**NOTE 8: INTANGIBLE ASSETS**

	<b>CONSOLIDATED</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Capitalised software development costs:		
Cost	2,268,968	2,268,968
Accumulated amortisation	(1,814,044)	(1,057,722)
	454,924	1,211,246

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	<b>Capitalised Development Costs</b>
<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>	<b>1,211,247</b>
<b>Year ended 31 December 2019</b>	
Balance at the beginning of the year	1,211,247
Additions	-
Amortisation	(756,323)
<b>Closing value as at 31 December 2019</b>	<b>454,924</b>

**NOTE 9: TRADE AND OTHER PAYABLES**

	<b>CONSOLIDATED</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Trade creditors	295,740	87,423
Other payables and accruals	363,176	526,569
	<b>658,916</b>	<b>613,992</b>

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

**NOTE 10: CONTRIBUTED EQUITY****(a) Issued and fully paid up capital**

	<b>CONSOLIDATED</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Ordinary shares	21,138,601	21,138,601

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

SHARES	Date	Number	\$
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>

Share on issue 1 January 2019		<b>480,247,200</b>	<b>21,138,601</b>
Performance shares exercised	-	13,433,333	-
Shares issued for cash	-	-	-
<b>TOTAL SHARES ON ISSUE 31 DECEMBER 2019</b>		<b>493,680,533</b>	<b>21,138,601</b>

**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 2019 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 F Performance shares	13,433,333
	<b>17,933,333</b>

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<b>Class</b>	<b>Performance Shares on issue</b>	<b>Share Milestone Conditions</b>	<b>Expiry date</b>
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
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)	nil	<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

**DROPSUITE LIMITED**

- (i) Class D performance shares of 14,183,334 vested during 2017.
- (ii) Class E performance shares of 13,433,334 vested during 2019.

PERFORMANCE SHARES	
Opening Performance Shares on issue	31,366,666
Performance Shares Exercised	(13,433,333)
<b>TOTAL PERFORMANCE SHARES</b>	<b>17,933,333</b>

**e) Performance rights**

Performance Rights on issue at 31 December 2019 are as follows:

Performance rights pursuant to an employee incentive grant (i)	1,500,000
Performance rights (long term Incentives to employees not being the CEO, COO or the CTO) (ii)	12,080,000
	<b>13,580,000</b>

- (i) Performance rights issued on the 30 January 2019.
- (ii) Performance rights issued on the 17 July 2019

Performance conditions for the Performance Rights issued on the 17 July 2019 are as follows:

Tranche vested	Performance Condition	Expiry date
3,020,000 (25% of Total Performance Rights Granted)	<ol style="list-style-type: none"> <li>To be employed for a period of 12 months (until 1 July 2020) from the date of the grant (Hurdle 1a)</li> <li>If Hurdle 1a is met, THEN</li> <li>Share price to achieve a volume weighted average price of at least AUD \$0.08 for a minimum of a thirty (30) day period (Hurdle 1b), provided that Hurdle 1a has been achieved. <u>Allocation Date</u>: no later than 45 days after Hurdle 1a &amp; 1b are achieved.</li> </ol>	1 July 2023 with a further 12 months grace period at the discretion of the Board

**DROPSUITE LIMITED**

Tranche vested	Performance Condition	Expiry date
4,228,000 (35% of Total Performance Rights Granted)	<ol style="list-style-type: none"> <li>To be employed for a period of 24 months (until 1 July 2021) from the date of the grant (Hurdle 2a)</li> <li>If Hurdle 2a is met, THEN</li> <li>Share price to achieve a volume weighted average price of at least AUD \$0.14 for a minimum of a thirty (30) day period (Hurdle 2b), provided that Hurdle 2a has been achieved.</li> </ol> <p><u>Allocation Date</u>: no later than 45 days after Hurdle 2a &amp; 2b are achieved.</p>	1 July 2023 with a further 12 months grace period at the discretion of the Board
4,832,000 (40% of Total Performance Rights Granted)	<ol style="list-style-type: none"> <li>To be employed for a period of 36 months (until 1 July 2021) from the date of the grant (Hurdle 3a)</li> <li>If Hurdle 3a is met, THEN</li> <li>Share price to achieve a volume weighted average price of at least AUD \$0.18 for a minimum of a thirty (30) day period (Hurdle 3b), provided that Hurdle 3a has been achieved.</li> </ol> <p><u>Allocation Date</u>: no later than 45 days after Hurdle 2a &amp; 2b are achieved.</p>	1 July 2023 with a further 12 months grace period at the discretion of the Board

PERFORMANCE RIGHTS	
Opening Performance Shares on issue	0
Performance Rights Issued	13,580,000
TOTAL PERFORMANCE SHARES	13,580,000

**f) Share options**

No share options were granted by Dropsuite Limited during the year to 31 December 2019.

**(g) 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.

**DROPSUITE LIMITED**

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.

**h) Reserves**

	Foreign exchange reserve	Share Based Payments Reserve	Total Reserves
Carrying amount at 1 January 2019	116,131	0	116,131
Other comprehensive income	(26,164)	14,062	(12,101)
Carrying amount at 31 December 2019	89,968	14,062	104,030

**NOTE 11: ACCUMULATED LOSSES**

	<b>CONSOLIDATED</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Balance at beginning of year	(16,299,431)	(14,842,481)
Net (loss) for the year	(3,145,590)	(1,456,949)
Other comprehensive income / (loss) for the year	-	-
Balance at end of financial year	(19,445,021)	(16,299,431)

**NOTE 12: INCOME TAX EXPENSE**

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

	<b>CONSOLIDATED</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Loss before tax	(3,145,590)	(1,456,949)
Income tax benefit calculated at 30%	(943,677)	(437,085)
<b><i>Effect of non-deductible/ assessable items in calculating taxable income /loss</i></b>		
Unrealized foreign currency gains	(5,813)	(13,027)
Non-deductible items arising from reverse acquisition	-	-
Share based payments	4,219	-
Other Non-deductible/non-assessable items	227,344	198,446
Deferred tax balances not recognised	717,927	251,666
Income tax attributable to operation loss	-	-

**DROPSUITE LIMITED**

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.

**NOTE 13: 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	
		2019 %	2018 %
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 14: DIRECTOR AND EXECUTIVE DISCLOSURES****Aggregate remuneration of key management personnel**

	CONSOLIDATED	
	2019 \$	2018 \$
Salary and fees	1,046,969	1,090,837
Superannuation	19,159	20,900
Financial KPI	256,548	254,030
Non-financial KPI	49,764	-
<b>Total</b>	<b>1,372,440</b>	<b>1,365,767</b>

The above disclosure comprises the key management personnel of Dropmysite Pte Ltd and Dropsuite Ltd for the year ended 31 December 2019 and year ended 31 December 2018.

**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.

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**DROPSUITE LIMITED****NOTE 15: 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.

**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.

**DROPSUITE LIMITED**

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;

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

Financial Instrument	Fixed Interest Rate		Floating Interest Rate		Non-Interest Bearing		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	\$	\$	\$	\$	\$	\$	\$	\$
(i) Financial assets								
Cash	900,000	2,600,000	-	-	524,004	886,932	1,424,004	3,486,932
Receivables	-	-	-	-	809,298	767,969	809,298	767,969
Total financial assets	900,000	2,600,000	-	-	2,233,302	1,654,901	2,233,302	4,254,901
Weighted average interest rate	-	-	-	-	-	-	-	-
(ii) Financial liabilities								
Payables	-	-	-	-	950,158	648,310	950,158	648,310
Total financial liabilities	-	-	-	-	950,158	648,310	950,158	648,310

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 2019, 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 16: AUDITORS' REMUNERATION**

	<b>CONSOLIDATED</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Audits or review of the financial report of the entity and any other entity in the consolidated group		
- Elderton Audit Pty Ltd (formerly Greenwich and Co Audit Pty Ltd)	37,877	32,423
- Fiducia LLP	15,234	-
- Kaiden Group	-	14,054
	<b>53,111</b>	<b>46,477</b>

**NOTE 17: COMMITMENTS AND CONTINGENCIES**

- (i) Operating lease commitments

The Group had no future non-cancellable operating lease liabilities at 31 December 2019(2018: nil).

The Group had no contingent liabilities as at 31 December 2019.

**NOTE 18: EVENTS AFTER THE REPORTING DATE**

Subsequent to 31 December 2019:

On 10 February 2020, the company successfully completed an institutional placement of 60,472,080 shares @ \$0.045 totalling \$2,721,244.

On 18 February 2020, a private placement was confirmed for a further 1,499,999 shares @ \$0.045 totalling \$67,499.

On 5 March 2020, the company announced the completion of a share purchase plan of 6,355,545 ordinary shares @ \$0.045 totalling \$286,000. On 11 March 2020, it was announced that Dropsuite's Key Management Personnel (KMP) subscribed to 2,444,442 shares as per below:

Key Management Personnel (KMP)	Number of shares
Theo Hnarakis (non-executive chairman)	666,666
Bruce Tonkin (non-executive director)	666,666
Charif el Ansari (managing director)	666,666
Bill Kyriacou (head of finance)	444,444
Total Key Management Personnel (KMP) shares subscribed	<b>2,444,442</b>

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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 2019 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  
30 March 2020

## **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 2019, 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 2019 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 matter described below to be key audit matter to be communicated in our report.

### Revenue

Refer to Note 4(a) and accounting policy Notes 1(e)

#### Key Audit Matter

Dropsuite, as a Group, generates revenues from providing a Cloud platform for easy back up and archiving services.

This is a key audit matter due to the significance of the Revenue amounts to the Group's consolidated financial statements and more relevant to gauge financial performance of the Group.

#### How our audit addressed the matter

Our audit work included, but was not restricted to, the following:

- Review of revenue recognition policies and their application for compliance with accounting standards
- Evaluate the design and implementation of key controls over the revenue cycle, in particular revenue completeness
- Review revenue cut off and matching of costs for compliance with accounting standards.
- Perform analytical review to identify unexpected variances
- Substantively test a sample of source records and trace to the detailed GL

Key Observations: We noted no material instances of inappropriate revenue recognition arising in our testing.

### 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.
- Obtained 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 18 to 25 of the directors' report for the year ended 31 December 2019. 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 2019 complies with section 300A of the *Corporations Act 2001*.

Elderton Audit Pty Ltd

**Elderton Audit Pty Ltd**



**Rafay Nabeel**  
Audit Director

30 March 2020

**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 2020

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

**Ordinary Shares**

Position	Holder Name	Holding	% IC
1	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	72,030,450	12.82%
2	MR CHARIF ELANSARI	29,485,439	5.25%
3	MR JOHN ANTHONY FEARON	25,415,184	4.52%
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	24,760,652	4.41%
5	QUEK SEOW KEE	24,568,260	4.37%
6	RIDLEY MCLEAN RUTH JR	17,594,468	3.13%
7	CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	16,867,778	3.00%
8	CITICORP NOMINEES PTY LIMITED	14,862,871	2.64%
9	RONALD THOMAS HART JR	12,894,667	2.29%
10	GE EQUITY INVESTMENTS PTY LTD	12,510,000	2.23%
11	MRS TRACY ANNE FEARON	12,000,000	2.14%
12	THEODORE JAMES HNARAKIS	11,752,311	2.09%
13	BNP PARIBAS NOMS PTY LTD <DRP>	10,866,514	1.93%
14	PHILLIP CARLTON	10,780,000	1.92%
15	MR HILAL TALAL HALAWI	9,722,634	1.73%
16	MR RADWAN EL HARIRI <HATCHER SHARES A/C>	5,536,805	0.99%
17	VINCENZO CIUMMO	5,433,797	0.97%
18	GLORY WEALTH GROUP LTD	4,884,162	0.87%
19	KEHPITAL PRIVATE LTD	4,878,175	0.87%
20	CONTENT AND SYSTEMS PTE LTD	4,627,377	0.82%
	<b>Total</b>	<b>331,471,544</b>	<b>58.98%</b>
	<b>Total issued capital - selected security class(es)</b>	<b>562,008,157</b>	<b>100.00%</b>

**2. Substantial Shareholders** (Current as at 25 March 2020)

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

Holder Name	Shares held	% of total shares
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	71,346,784	12.70%
MR CHARIF EL ANSARI	29,485,439	5.25%
MR JOHN ANTHONY FEARON	25,415,184	4.52%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	24,760,652	4.41%

**DROPSUITE LIMITED****Distribution of Equity Securities** (Current as at 25 March 2020)

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

Class of Security – **Ordinary Shares**

<b>Holding Ranges</b>	<b>Number of shareholders</b>	<b>Number of shares</b>
above 0 up to and including 1,000	208	48,946
above 1,000 up to and including 5,000	82	259,818
above 5,000 up to and including 10,000	104	868,407
above 10,000 up to and including 100,000	522	21,278,191
above 100,000	327	539,552,795
<b>Totals</b>	<b>1,243</b>	<b>562,008,157</b>

The following information is to comply with LR 4.10.7 and 4.10.8.

Class of Security – **Ordinary Shares**

<b>Holding Ranges</b>	<b>Number of shareholders</b>	<b>Number of shares</b>	<b>Percentage of Issued Capital</b>
above 0 up to and including 1,000	208	48,946	0.01%
above 1,000 up to and including 5,000	82	259,818	0.05%
above 5,000 up to and including 10,000	104	868,407	0.15%
above 10,000 up to and including 100,000	522	21,278,191	3.79%
above 100,000	327	539,552,795	96.00%
<b>Totals</b>	<b>1,243</b>	<b>562,008,157</b>	-
<b>Less than marketable parcel of \$500</b>	<b>440</b>	<b>1,749,174</b>	<b>0.31%</b>

Please note that under the Company's Constitution, each( fully paid up) ordinary shareholder who is present at a general meeting of the Company in person or by proxy, attorney or official representative is entitled:

- On a show of hands – to one vote; and
- On a poll – to one vote for each share held or represented.

**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)

**DROPSUITE LIMITED****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.

**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 :	<a href="http://www.dropsuite.com">www.dropsuite.com</a>
Company Secretary:	Julian Rockett