

DROPSUITE LIMITED & CONTROLLED ENTITIES

ABN 008 021 118

ASX APPENDIX 4D FOR THE SIX MONTHS ENDED 30 JUNE 2018

The following information should be read in conjunction with both the Financial Report for the year ended 31 December 2017 and the Interim Report for the half year ended 30 June 2018 and the attached auditors' review report.

This Appendix 4D is prepared in accordance with ASX Listing Rule 4.2A.3.

Reporting period: Half-year from 1 January 2018 to 30 June 2018

Previous corresponding period: Half-year from 1 January 2017 to 30 June 2017

Results for announcement to the market

Dropsuite Limited (DSE) and its controlled entities' (the Dropsuite Group or Group) Results for Announcement to the Market are detailed below:

Financial Results

	June 2018	June 2017	Change
Revenue and other income	1,913,476	1,124,868	70%
EBITDA	(769,806)	(1,104,247)	(30%)
Profit before tax	(836,680)	(1,252,687)	(33%)
Profit after tax	(836,680)	(1,252,687)	(33%)

Dividends

No interim dividend will be paid in relation to the half-year ended 30 June 2018.

Explanation of results

Please refer to the 'Directors Report' for an explanation of the results.

This information should be read in conjunction with the Consolidated Annual Financial Report of the Dropsuite Group for the year ended 31 December 2017.

This report should also be read in conjunction with any public announcements made by Dropsuite in accordance with the continuous disclosure requirements arising under the Corporations Act 2001 and ASX Listing Rules.

The information provided in the report contains all the information required by ASX Listing Rule 4.2A.

Details of individual and total dividends and payment dates

No dividends have been declared by the Company.

Dates: 29 August 2018

Kobe Li

Company Secretary



DROPSUITE LIMITED

ACN 008 021 118

INTERIM REPORT

FOR THE HALF YEAR ENDED 30 June 2018

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DROPSUITE LIMITED & ITS CONTROLLED ENTITIES

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Directors' Report

Your directors present their report on the Company, Dropsuite Limited, and its consolidated entities for the half-year ended 30 June 2018.

Directors

The following persons were directors of Dropsuite Limited during or since the end of the financial half year:

Theo Hnarakis – Non - Executive Chairman

Charif El Ansari – Managing Director

Bruce Tonkin – Non - Executive Director

Principal activities

Dropsuite is a global cloud software platform enabling SMBs in over 100 countries to easily backup, recover and protect their important business information. Dropsuite's network of preferred reseller partners has a combined customer reach of millions of small and medium-sized businesses worldwide. Dropsuite's products include website and database backup, email backup and archiving, and file-based server backup.

Dropsuite partners with some of the biggest global names in the hosting and IT service provider market, including GoDaddy, the world's largest domain name registrar, and Universo Online (UOL), the world's largest Portuguese speaking portal and Brazil's largest digital services company. Dropsuite was launched in 2012 with a sales presence in the US, Europe, Japan, and Australia.

Key Highlights of 1H 2018

- Strong revenue, annualised revenue run rate and paid user growth with healthy gross margins
- Expanded global presence through partnerships, with notable mentions of UOL (Brazil), Tarsus (South Africa) and Squalio (East Europe)
- Newly re-launched email backup and platform delivering very strong growth, exceeding expectations
- Mid-Year loss cut by half vs. same period last year

Results overview

	30 June 2018	30 June 2017
Net Revenue	1,913,476	1,124,868
Operating EBITDA	(769,806)	(1,104,247)
Operating NPAT	(836,680)	(1,252,687)
Operating Cash flow	(688,190)	(3,252,273)
Cash and cash equivalents	4,034,184	1,540,599

DROPSUITE LIMITED & ITS CONTROLLED ENTITIES

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Financial Summary

Revenue of \$1.9m for the 1 Jan 2018 to 30 June 2018 half year was particularly pleasing and this top line growth reflects the broad appeal of the Company's proprietary cloud-based email back-up solution for SMBs. The increase in the annualised revenue run rate to \$4.87m is also a very pleasing measure and illustrates the underlying stability of the revenue base, so too does the Average Revenue per User (ARPU) of \$1.04 which is lower than last year, due only to the impact of the ramp up of one major new Reseller partnership.

The narrowing half-year loss to \$836,680 for the half shows that Dropsuite has continued to maintain a conservative cost base with the increase in revenue dropping straight to the bottom line. With a growing revenue base and a strong cash position of \$4.03m as at 30 June 2018, Dropsuite has the necessary financial flexibility to meet its growth objectives for an extended period.

Business and Operational Update

Dropsuite's Paid User numbers continued to accelerate very strongly in the half and grew to number approximately 600,000 by 30 July 2018. The solid growth in Paid Users is attributable primarily to a new Reseller Partnership secured in April 2018 and also to the continuing growth and diversification of Reseller Partner numbers, which numbered 140 globally at the end of the half. Churn to date remains lower than anticipated, which is a pleasing development and reflects the appeal and dependability of the Company's cloud base software, clearly valued by SMBs.

Notable partnerships secured during the period include:

- Squalio - one of the largest cloud services providers in Eastern Europe;
- Tarsus – an IT and cloud distributor in South Africa;
- UOL – Brazil's largest digital services company; and
- Mat Bao – Vietnam's leading hosting provider.

Ensuring a more diversified partnership base is assisting the company diversify and re-risk its revenue base. Further, the Company believes ongoing geographical expansion augments this.

The Company is focused on selling through IT Service Providers to deliver broad reach with low touch, and more importantly provides SMEs with seamless access to easy-to-use, affordable data backup and recovery as part of their purchases of website, database, and email services from those service providers.

Dropsuite's team is bullish on continuing to grow the sales pipeline and expects to launch several key partnerships in the second half of 2018.

To capitalise on its growth prospects, Dropsuite has expanded its product, sales and marketing team, especially in North America. Total headcount as at 30 June was 29, with additional hires being considered. The Company's software development office in Bandung, Indonesia continues to provide Dropsuite with access to high-quality software and engineering talent, enabling best-of-breed product development cost effectively.

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Significant Events since Balance Sheet Date

No other matters have arisen since 30 June 2018 that have significantly affected, or may significantly affect the Group's operations in future financial years, the results of those operations in future financial years or the Group's state of affairs in future financial years.

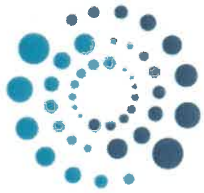
A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 8.

This report is made in accordance with a resolution of directors.

A handwritten signature in black ink, appearing to be 'Charif El Ansari', enclosed within a large, loopy oval shape.

Charif El Ansari
Managing Director

Dated this 29th of August 2018



Greenwich & Co

Greenwich & Co Audit Pty Ltd | ABN 51 609 542 456
Level 2, 35 Outram Street, West Perth WA 6005
PO Box 983, West Perth WA 6872
T 08 6555 9500 | F 08 6555 9555
www.greenwichco.com

Auditor's Independence Declaration

To those charged with the governance of Dropsuite Limited

I declare that, to the best of my knowledge and belief, during the half-year ended 30 June 2018 there have been no contraventions of:

- (i) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Greenwich & Co Audit Pty Ltd

Greenwich & Co Audit Pty Ltd

Rafay Nabeel
Audit Director

29 August 2018
Perth

DROPSUITE LIMITED & ITS CONTROLLED ENTITIES

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Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Half Year ended 30 June 2018

	30 June 2018	30 June 2017
	\$	\$
REVENUE FROM CONTINUING OPERATIONS		
Sales Revenue	1,856,816	1,122,841
Other Income	21,540	2,027
Interest Income	35,120	-
	<u>1,913,476</u>	<u>1,124,868</u>
EXPENSES FROM CONTINUING OPERATIONS		
Hosting Fees	(385,814)	(250,709)
Advertising and marketing expenses	(123,643)	(115,469)
Conference and exhibition expenses	(44,839)	(72,646)
Professional fees	(114,936)	(220,609)
Employee and director expenses	(1,561,479)	(1,142,626)
Depreciation and amortisation	(101,993)	(142,371)
Office expenses	(255,130)	(199,091)
Other expenses from ordinary activities	(162,322)	(234,034)
NET LOSS BEFORE INCOME TAX	<u>(836,680)</u>	<u>(1,252,687)</u>
Income tax expense	-	-
NET LOSS FOR THE PERIOD	<u>(836,680)</u>	<u>(1,252,687)</u>
Other comprehensive income that may be reclassified to profit or loss		
– Exchange differences on translation of foreign subsidiaries	(2,094)	56,373
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>(838,774)</u>	<u>(1,196,314)</u>
Earnings per share		
Basic and diluted earnings per share – cents per share	(0.20)	(0.32)

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

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Consolidated Statement of Financial Position as at 30 June 2018

	Note	30 June 2018	31 December 2017
		\$	\$
Current assets			
Cash and cash equivalents		4,034,184	4,962,123
Trade and other receivables		499,465	471,018
Other assets		164,662	83,118
Total current assets		4,698,311	5,516,259
Non current assets			
Property, plant and equipment		19,973	23,557
Intangible assets	5	1,490,830	1,351,192
Investment		6,822	9,616
Total non-current assets		1,517,625	1,384,365
Total assets		6,215,936	6,900,624
Current liabilities			
Trade and other payables		713,319	411,180
Deferred Income		56,510	54,563
Provisions		-	150,000
Total current liabilities		769,829	615,743
Total liabilities		769,829	615,743
Net assets		5,446,107	6,284,881
Shareholders' equity			
Contributed equity	6	21,138,601	21,138,601
Reserves		(13,333)	(11,239)
(Accumulated losses)		(15,679,161)	(14,842,481)
Total shareholders' equity		5,446,107	6,284,881

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

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Consolidated Statement of Changes in Equity for the Half Year ended 30 June 2018

Consolidated Entity	Issued Capital	Foreign exchange reserve	Accumulated losses	Total
	\$	\$	\$	\$
Balance as at 1 January 2018	21,138,601	(11,239)	(14,842,481)	6,284,881
Loss for the period	-	-	(836,680)	(836,680)
Other comprehensive income	-	(2,094)	-	(2,094)
Total comprehensive income / (loss)	-	(2,094)	(836,680)	(838,774)
Balance as at 30 June 2018	21,138,601	(13,333)	(15,679,161)	5,446,107
Balance as at 1 January 2017	16,640,291	(7,949)	(12,666,562)	3,965,780
Loss for the period	-	-	(1,252,687)	(1,252,687)
Other comprehensive income	-	56,373	-	56,373
Total comprehensive income / (loss)	-	56,373	(1,252,687)	(1,196,314)
Balance as at 30 June 2017	16,640,291	48,424	(13,919,249)	2,769,466

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

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Consolidated Statement of Cash Flows for the Half Year ended 30 June 2018

	Note	30 June 2018 \$	30 June 2017 \$
CASH FLOW FROM OPERATING ACTIVITIES			
Cashflow received from sales		1,773,899	965,625
Other income		-	2,028
Interest received		23,708	
Payments to suppliers and employees *		(2,485,797)	(4,212,552)
Interest paid		-	(7,374)
Net cash used in operating activities		(688,190)	(3,252,273)
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(10,119)	(15,861)
Payment for development costs		(229,631)	(234,660)
Net cash used in investing activities		(239,750)	(250,521)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from capital raising		-	-
Proceeds from issue of Convertible Notes		-	-
Repayment of borrowings		-	(295,114)
Proceeds from borrowings		-	-
Net cash provided by financing activities		-	(295,114)
NET (DECREASE) / INCREASE IN CASH HELD		(927,940)	(3,797,908)
Cash and cash equivalent at beginning of financial period		4,962,123	5,338,507
Effects of changes in exchange rates		-	-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		4,034,183	1,540,599

* The payments for the half-year to 30 June 2017 include one off transactions for loans, listing fees, broker payments and other costs related to the reverse acquisition and listing of Dropsuite on the ASX, as described in the most recent annual financial report.

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

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Notes to the Financial Statements for the Half Year ended 30 June 2018

Note 1—Basis of Preparation of Half-Year Report

These general purpose financial statements for the half-year reporting period ended 30 June 2018 have been prepared in accordance with the requirements of AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, it is recommended that this report is read in conjunction with the annual report for the year ended 31 December 2017, together with any public announcements made during the following half year in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

These financial statements were authorised for issue by the board of directors on 29 August 2018.

Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

The Group has considered the implications of new or amended Accounting Standards, but determined that their application to the financial statements is either not relevant or not material.

Estimates

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

The judgments, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 31 December 2017.

DROPSUITE LIMITED & ITS CONTROLLED ENTITIES

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Notes to the Financial Statements for the Half Year ended 30 June 2018

Note 1—Basis of Preparation of Half-Year Report (cont)

Going concern basis

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 Group has incurred a net loss after tax for the half-year ended 30 June 2018 of \$836,680 (2017: loss of \$1,252,687) and has experienced net cash outflows from operating activities of \$688,190 (2017: \$3,252,273). As at 30 June 2018, the Group has a net current asset surplus of \$3,928,482 (31 December 2017: \$1,500,124).

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:

- The ability of the Company to obtain funding through various sources, including debt and equity issues which are currently being investigated by management; and
- The ability to further vary cash flow depending upon the achievement of certain milestones within the business plan.

Note 2—Profit from Ordinary Activities

All revenue and expense items that are relevant in explaining the financial performance for the half-year have been included in the statement of profit or loss and other comprehensive income.

Note 3—Dividends

No dividends have been declared or paid during the period.

Note 4—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 half-year ended 30 June 2018, being the provision of backup services.

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

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Notes to the Financial Statements for the Half Year ended 30 June 2018

Note 5: Intangible Assets

	30 June 2018	31 December 2017
	\$	\$
Software Development – at cost	2,048,395	1,818,764
Less: accumulated amortisation	(557,565)	(467,572)
	<u>1,490,830</u>	<u>1,351,192</u>

Note 6— Contributed Equity

(a) Share Capital

	Note	30 June 2018	31 December 2017
		\$	\$
Fully paid Ordinary Shares: 480,247,200 (31 December 2017: 480,247,200)		<u>21,138,601</u>	<u>21,138,601</u>

	Half year to 30 June 2018	Half year to 30 June 2018
	\$	Number of shares
31 December 2017	21,138,601	480,247,200
Conversion of Performance Shares	-	-
30 June 2018	<u>21,138,601</u>	<u>480,247,200</u>

Note 7 —Contingent Liabilities

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

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

DROPSUITE LIMITED & ITS CONTROLLED ENTITIES

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Notes to the Financial Statements for the Half Year ended 30 June 2018

Note 8 – Fair Value Measurement

a) Valuation techniques

The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

The following notes (b) and (c) provide the fair values of the Group's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy:

b) Financial Instruments

The fair values of the group's financial assets and financial liabilities equate to the carrying values at the respective reporting dates of 30 June 2018.

c) Fair value hierarchy

The fair values of financial assets and financial liabilities at balance date equate to their carrying values. All financial assets and liabilities are categorised as Level 3 hierarchy assets and liabilities except for cash, which is Level 1. The deferred consideration financial liabilities are deemed level 3 as it is based on the exchanged contracts at the time of acquisition.

DROPSUITE LIMITED & ITS CONTROLLED ENTITIES

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Notes to the Financial Statements for the Half Year ended 30 June 2018

Note 9—Events Occurring after the Balance Sheet Date

The directors are not aware of any significant events occurring after the balance sheet date as at the date of this half yearly report.

DROPSUITE LIMITED & ITS CONTROLLED ENTITIES

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Directors' Declaration

In the directors' opinion:

- (a) The financial statements and notes set out on pages 7 to 15 are in accordance with:
 - (i) Accounting Standard AASB 134 Interim Financial Reporting, other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance, for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that Dropsuite Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of directors.



Charif El Ansari

Managing Director
Singapore

Dated this 29th day of August 2018

Independent Auditor's Review Report

To the members of Dropsuite Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Dropsuite Limited, which comprises the consolidated condensed statement of financial position as at 30 June 2018, the consolidated condensed statement of profit or loss, the consolidated condensed statement of comprehensive income, the consolidated condensed statement of changes in equity and the consolidated condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 30 June 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Dropsuite Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Dropsuite Limited would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Dropsuite Limited is not in accordance with the *Corporations Act 2001* including:

- (i) giving a true and fair view of the Dropsuite Limited's financial position as at 30 June 2018 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*

Greenwich & Co Audit Pty Ltd

Greenwich & Co Audit Pty Ltd



Rafay Nabeel
Audit Director

29 August 2018
Perth