# Dropsuite

# Annual Report 2022

# 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.

# Contents

# Corporate Directory

## DIRECTORS

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

## COMPANY SECRETARY

Kobe Li

## 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

## SHARE REGISTRY

Automic Pty Limited
Level 5,
126 Phillip Street
Sydney NSW 2000

## AUDITOR

RSM Australia Partners
Level 21, 55 Collins Street
Melbourne VIC 3000

## STOCK EXCHANGE LISTING

Dropsuite Limited shares are listed on the Australian Securities Exchange (ASX code: DSE)

# Chairman's Review

**Dear Shareholders,**

On behalf of the Board of Directors of Dropsuite Limited, I am pleased to present to you, our shareholders and broader stakeholders, the 2022 Annual Report.

Throughout the 2022 financial year, Dropsuite's business was able to build on a strong platform of investment, we were able to demonstrate continuing underlying momentum and growth of all our key measures. Strong market tailwinds, our market leading position in Software-as-a-Service backup and our successful partner-led business model and clear growth strategy helped underpin the business and enhanced the Company's excellent reputation across the industry. Indeed, Dropsuite was once again recognised as an industry leader in Cloud backup in 2022, voted #1 Microsoft 365 Backup provider for the third consecutive year.

Dropsuite has continued to benefit from significant focused investment over the past few years which has transformed and expanded the business into a multi-product, multi-channel and multi-segment Company.

This broader product and channel offering along with the Company's growing global presence has made us the established partner of choice for all email and productivity backup needs across any platform, geography, customer segment or vertical. We are very proud of how our Company has developed, and the growth it has demonstrated, in 2022.

Clearly data security around the globe is top-of-mind at the moment, and for good reason. Over the past few months some of Australia's largest and most important institutions have suffered from cyber-crime and unfortunately significant amounts of private data has been stolen or lost. We believe strongly at Dropsuite that the need for a reliable and secure backup solution will become even more critical, and that businesses of all sizes will need to prioritize their budget allocations as they increasingly focus on their own, and their clients, data protection requirements. With Dropsuite's cutting edge cloud platform technology, we believe that we are uniquely positioned to provide business with the solution they need into the foreseeable future.

In 2022 the Company delivered strong growth across all key metrics including growing our Annualised Recurring Revenue by 67% to $25.4 million, increasing ARPU and recording EBITDA of $1.3 million and Underlying EBITDA of $2.1 million. Pleasingly, the trend of positive cashflow generation also continued, all the while continuing to invest in our people, leadership and enhancing our skill set. Our strong performance over the 2022 financial year is the result of an excellent and energized management team focused on ensuring an exceptional client experience which is supported by a highly responsive service and technical team.

Following the capital raise in August 2021, Dropsuite's balance sheet remains very strong with cash at hand of $22.3 million. We remain committed to deploying the capital prudently and in line with our investment criteria while the board and management team also continue to be active in assessing potential complementary and accretive acquisition targets.

Much has been achieved over the past 12 months at Dropsuite. We have continued to build on a strong foundation and believe that we are in a great place to take advantage of very favourable industry tailwinds. The Company's financials are in great shape with capital to deploy if the right opportunity comes along and we have an excellent leadership team and CEO who have the vision, experience, and culture to take us forward.

On that note, I would like to thank the entire Dropsuite team including our wonderful and dedicated staff and management team, led by our CEO and Managing Director, Charif Elansari, and my fellow director, Dr Bruce Tonkin, for the commitment, energy and focus that they bring to the Company. Without them the terrific business momentum we have witnessed in 2022 would not have been possible. Finally, on behalf of the board, I would like to thank our customers, and our shareholders for your support over the past year.

Yours Sincerely,

Theo Hnarakis
Chairman

# Highlights

## ANNUAL RECURRING REVENUE(ARR)

# $25.4m

up 67% on PCP (Actual)

up 58% on PCP (Constant Currency)

## RESELLER PARTNERS

# 491

up 20% on PCP

## OPERATING CASH FLOW (OCF)

# $0.93m

up 260% on PCP

## END USERS

# 935k

up 44% on PCP

## AVERAGE REVENUE PER USER (ARPU)

# $2.26/mo

up 16% on PCP (Actual)

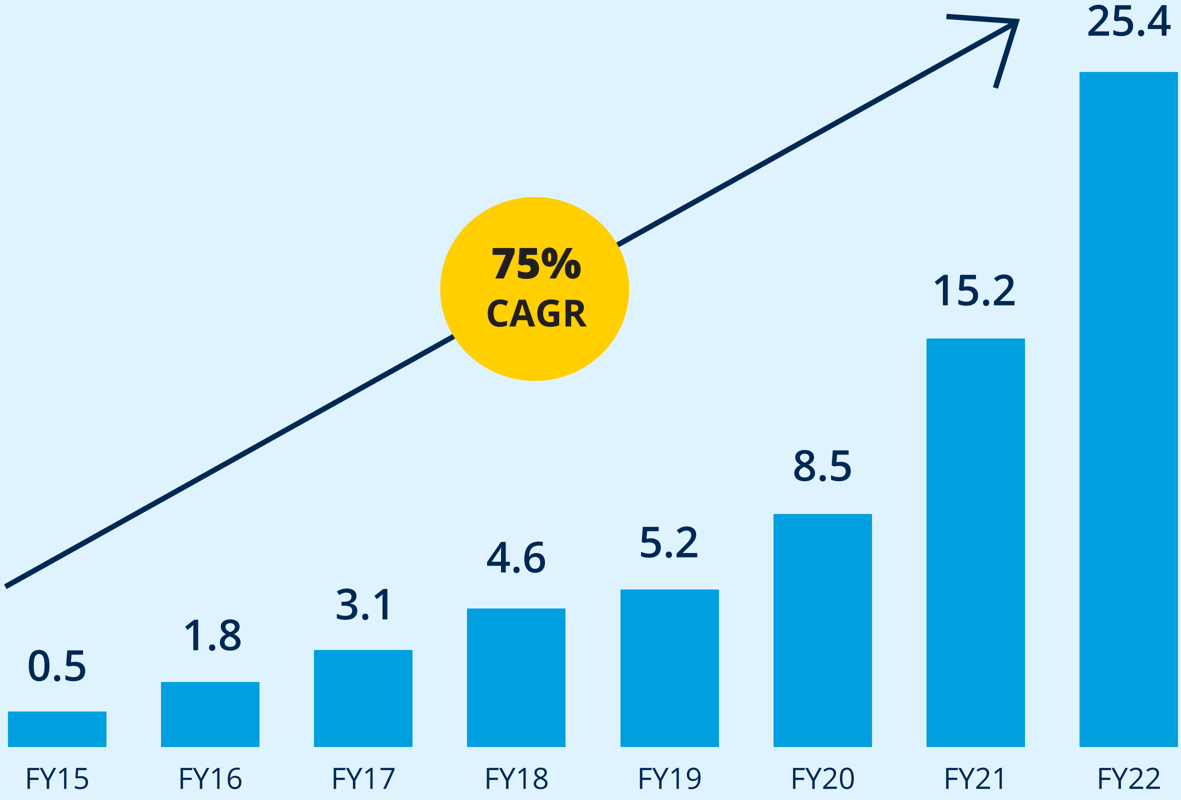
up 9% on PCP (Constant Currency)

## PARTNER REVENUE CHURN

# < 3%

stable with PCP

## ANNUAL RECURRING REVENUE ($M)



# CEO's Review

**Dear Shareholders,**

2022 was another outstanding year for Dropsuite, a year where we continued to demonstrate the strength and scalability of our business model along with the increasing relevance and adoption of our award-winning data protection products. The 2022 financial year was a record year across revenue, paid users, average revenue per user, positive cash flow and profit. These improved metrics are both a reflection of the strong significant industry tailwinds we are experiencing, the scalability of our product suite, and importantly the service offering we provide our clients. I am grateful to the Dropsuite team for their hard work and execution.

We are very optimistic about our future growth prospects, expecting that the current strong market tailwinds from data security and regulation will reinforce our already strong position as a leading SaaS backup provider. This momentum is anticipated to drive robust revenue growth and along with the Company's well capitalised balance sheet is expected to advance accretive M&A opportunities for Dropsuite in the foreseeable future.

## Robust Financial Results and strong Balance Sheet to drive future growth

Dropsuite's strong financial performance in 2022 primarily reflected buoyant industry fundamentals and a broader business transformation that has set us up well for a successful future. A key growth metric of our business, Annualised Recurring Revenue (ARR) increased by 58% on a constant currency basis (67% PCP) to $25.4 million in 2022 while our full year reported gross margin rose 200 basis points to 66% from the levels we experienced in 2021. The solid rise in our ARR reflects the improving scalability of our SaaS business which in turn provides a solid platform for future growth.

The Company also maintained a partner churn rate of less than 3% in 2022, which reflects the quality of our product and the added value we provide to our partners. At the same time Dropsuite continued to add partner and client numbers at a record rate. At year-end we increased our partnerships to 491 and our paid users to above 935,000. Average Revenue Per User (ARPU) jumped 9% on a constant currency basis (16% PCP) to $2.26 per month as our partners continued to adopt our broader product and service offering.

Pleasingly, we maintained our profitability and positive cash flow in 2022. EBITDA was positive $1.3 million while net cash generated from operating activities was $0.93 million. We delivered on those key financial metrics while continuing to reinvest in expanding the team, products, sales footprint and marketing programs. At year-end the business held $22.34 million cash with zero debt.

## Partner-led business model to deliver customers and growth

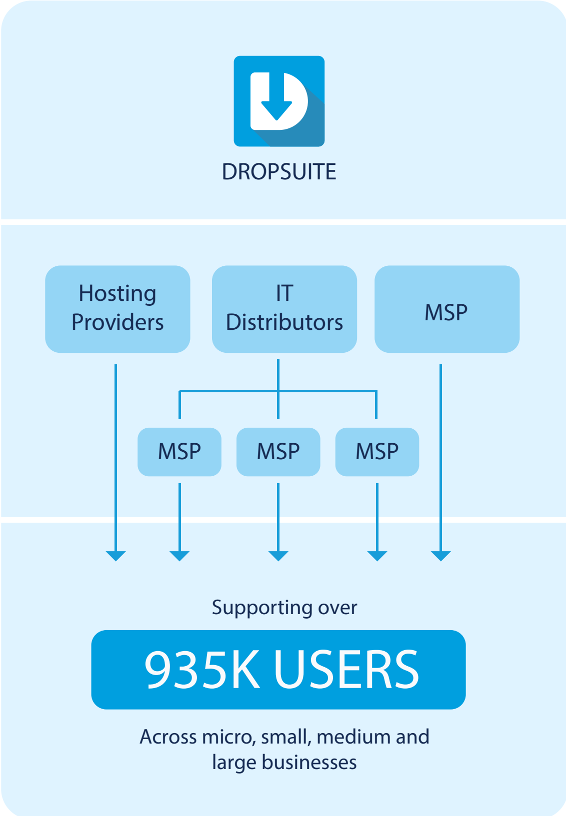
Our business continues to grow via of our partner-led business model which delivers:

- Better scaling across sales, support and marketing
- Minimal marginal cost to serve growing revenue and users; and
- Diversified revenue base and fast path to operational leverage

The strong growth in Dropsuite's global reseller partner network over the past year was largely driven by the increasing need and structural demand across the global data backup and recovery market as well as Dropsuite's consistently high brand recognition and reputation.

In addition to Dropsuite's 491 direct transacting partners, the business has thousands of indirect transacting Managed Service Provider (MSP) partners transacting via our cloud distribution partners.

MSPs represent Dropsuite's principal growth engine and customer acquisition vehicle. Driving the growth in MSP's are several macro trends including the increasing drive by businesses to find operational efficiencies and migrate systems to the Cloud, rising cybersecurity risks and increasing IT complexity. Within a global addressable market of approximately 132,000 MSP's, Dropsuite has a penetration rate of approximately 2%, leaving plenty of room for continued growth.




### What is an MSP?

MSP (Managed Services Provider) is an outsourced IT provider ensuring business availability and security for mostly small and mediums businesses.

### Current MSP Growth Opportunity

- Market Size USD 757.10 Bn by 2030
- Growing 4x faster than the overall IT spend
- 12.6% CAGR from 2022 till 2030
- >132,000 MSPs mostly in OECD countries

## A growing market in which to operate

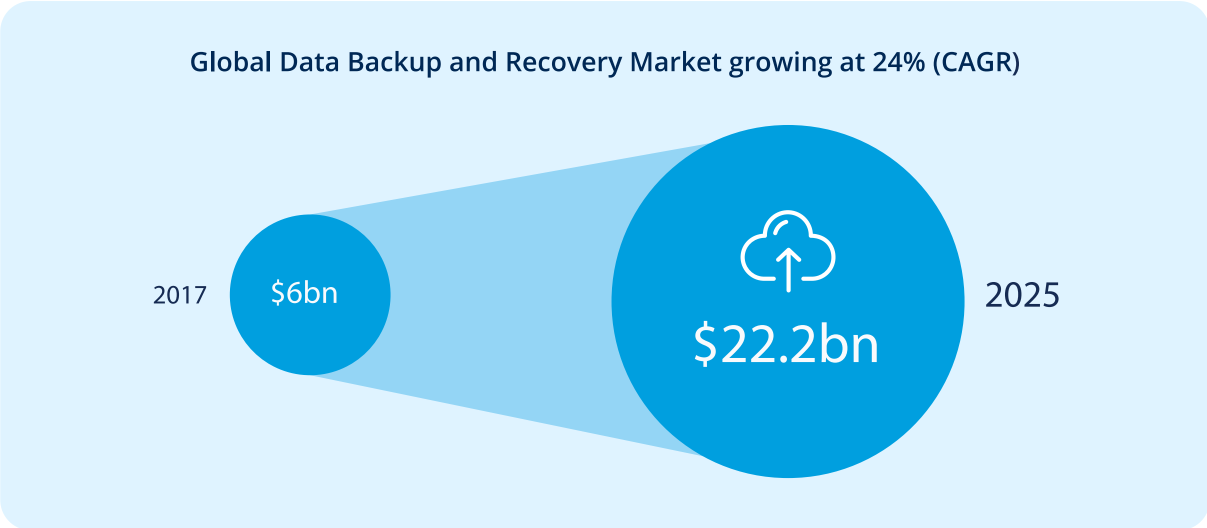
Dropsuite's mission is to safeguard business information by building the industry's most secure, scalable and useable cloud backup technology has never been more prescient in the current environment:

- Ongoing surge in world-wide cyber-attacks and ransomware claims,
- Increased government oversight and regulation,
- Sharp rise in corporate budget allocations to protect their data privacy and security,
- Rising focus on cost efficiency that is leading businesses to hasten their migration to the Cloud, and
- Acceleration in the move to the cloud in the form of Software-as-a-Service applications that would benefit modern data protection solutions.

The cloud data backup and recovery industry is anticipated to grow at a 24% CAGR to approximately $22.2 billion by 2025. There is also expected to be upwards of 570 million Microsoft 365 and Google Workspace users by 2026. The growth in the backup and recovery market will be largely driven by an increased awareness and experience of cyber and ransomware threats combined with a rise in the number of cloud migrations and growing regulatory and compliance requirements.

With such a large and growing addressable market, we remain confident with our growth strategy to augment our data protection platform and expand our "share with wallet" with our existing and growing partner base. We do this by sustaining a differentiated and premium product strategy. Our newly introduced QuickBooks Online (North America's largest cloud accounting software) backup and the launch of our flagship Office 365 Backup and Archiving product in the US Government Cloud (GovCloud) are both meaningful differentiators in the market that we serve. This, combined with growing ARPU and an expanding partner base, will position the Company well to deliver future revenue growth that is well above total industry growth.

Further, as we consolidate our position of being a cashflow positive company with a well capitalised balance sheet, we are proactively seeking out value-enhancing accretive and complementary acquisitions. Our intention is to be very focused and deliberate, deploying capital only on high conviction acquisitions that will accelerate growth and expand our global footprint. Any potential acquisition will focus on increasing our scope and cross-sell opportunity rather than simply driving scale for our existing business.




## Innovative product development

Dropsuite remains our partners' first choice for all email and productivity backup requirements across any platform, geography, customer segment or vertical.

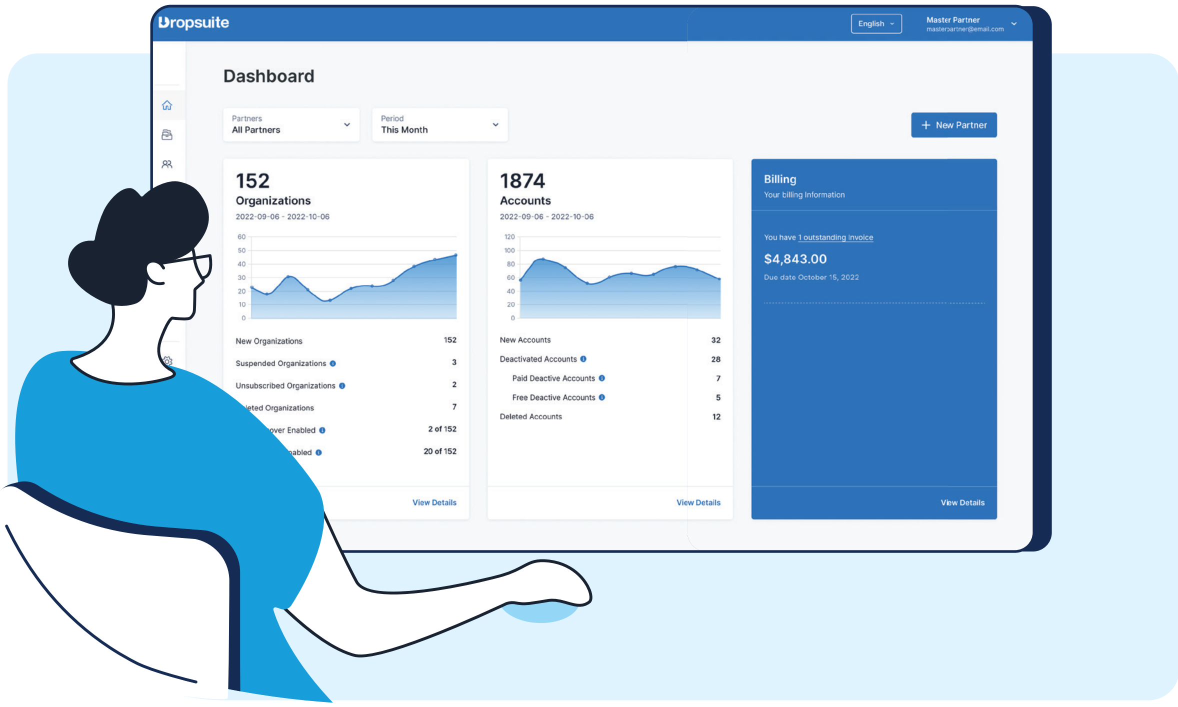
In 2022, we:

- Launched QuickBooks Backup to protect businesses critical accounting and financial data
- Launched Microsoft Office 365 Backup and Archiving in the US Government Cloud making our product available to various sectors of the US government and any vendor working with the government
- Continued our global roll out of the new partner portal with an enhanced partner experience
- Increased a billing and payment optionality for our partners globally with the introduction of Stripe's payment processing platform
- Onboarded new partners to our recently launched Autotask Professional Services Automation (PSA), a leading workflow management platform for MSP's in all major markets
- Introduced a Content Management System (CMS) into our new partner portal to scale content sharing and communications with our growing partner footprint, and
- Initiated several product performances updates and feature enhancements to our core email and productivity backup and archiving platform.

As we continue to enhance our product and service offering, Dropsuite's advantage in the market can be distilled down to four key elements:

- Seamless Partner Integration: Integrates with any partner infrastructure and delivers streamlined provisioning, billing and support
- Exceptional User Experience: Simple intuitive interface that is packed with useful and powerful features, including insights and analytics
- Cutting-edge Cloud Platform: Built for the cloud from day one. Secure public and private cloud platform deployed globally, and
- Highly Responsive Team: Expert training, marketing and technical support delivered by an agile and passionate team.

With our strong focus on product innovation, Dropsuite has been recognized as the Microsoft O365 Backup Leader by InfoTech Software Reviews for the third year in a row. The recognition reflects the Company's leading position as a trusted platform and brand for our partners and customers.



## People and Culture

Dropsuite continued to build on its bench strength in 2022, strengthening both its senior management and broader team with highly qualified industry experts to provide the enhanced capabilities and structures to continue to drive sustainable revenue growth, strong culture and impeccable customer service. We now have more than 80 employees across Asia Pacific, North America and Europe, up from around 50 in 2021.

The continued success of Dropsuite is built upon a strong, stable and talented team. Our highly engaged, diverse and dedicated team puts our partners and users first and rapidly responds to customers' requirements. To ensure our team remains motivated and engaged, we conduct employee engagement surveys to determine where we - as a business and as a culture - can improve. The results from these surveys in 2022 were again positive, highlighting an engaged team with an open and high-performance culture.

## Path to Continued Growth

Our company's mission, bolstered by the aforementioned industry tailwinds, continues to guide our growth strategy and the reinvestments that we have been and will be making in the foreseeable future:

- With Microsoft 365 and Google Workspace expected to exceed 500 million users in a few years' time and our small – yet rapidly growing – market share of MSP partners, we want to protect and accelerate our core organic business. The significant headroom for growth makes this pillar of growth a significant one.
- We want to organically augment our data protection platform with new products and capabilities that resonate well with our growing partner base as we have done in 2021 (Google Workspace backup and archiving) and in 2022 (QuickBooks Online Backup and Government Cloud).
- We want to pursue high conviction acquisitions to accelerate growth and expand our offerings to the partner channel. Any potential acquisition will focus on increasing our scope and cross-sell opportunity rather than simply driving scale for our existing business.

This path to continued growth can only be sustained with an unrelenting focus on our company culture. A culture of strong ownership, teamwork, psychological safety combined with agility and bias to action to deliver results for our partners and stakeholders. We will continue to invest in our people and pay heed to our culture as we set ambitious growth expectations.

I would like to extend my gratitude to our stakeholders: our partners and customers, shareholders and employees for their continued support over the year. I am grateful to the Dropsuite team for their hard work and execution, and I would like to express my gratitude to our board members for their guidance and governance over the past year.

Sincerely,

Charif Elansari
Managing Director

# Dropsuite Limited

## ABN 91 008 021 118

# Annual Report - 31 December 2022

**Dropsuite Limited**
**Corporate directory**
**31 December 2022**

| | |
|---|---|
| Directors | Charif El Ansari<br>Theo Hnarakis<br>Bruce Tonkin |
| Company secretary | Kobe Li |
| Registered office | 14 Emerald Terrace<br>West Perth WA 6000<br>Phone: |
| Principal place of business | 10 Anson Road<br>International Plaza<br>#10-07<br>Singapore 079903<br>Phone: |
| Share register | Automic Pty Ltd<br>Level 5/191 St Georges Terrace<br>Perth WA 6000<br>Phone: 1300 288 664 |
| Auditor | RSM Australia Partners<br>Level 21, 55 Collins Street<br>Melbourne VIC 3000 |
| Solicitors | QR Lawyers<br>Level 6<br>400 Collins Street<br>Melbourne VIC 3000 |
| Bankers | National Australia Bank<br>Level 14, 100 St Georges Terrace<br>Perth WA 5000 |
| Stock exchange listing | Dropsuite Limited shares are listed on the Australian Securities Exchange (ASX code: DSE) |
| Website | www.dropsuite.com |
| Corporate Governance Statement | www.dropsuite.com/investor-centre/corporate-governance/ |

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Dropsuite Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 31 December 2022.

**Directors**

The following persons were directors of Dropsuite Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Charif El Ansari
Theo Hnarakis
Bruce Tonkin

**Principal activities**

During the financial year the principal continuing activities of the consolidated entity consisted of:
- Cloud-based suite of backup and archiving solutions for email and website
- Reseller provision platform

**Dividends**

No dividends were paid during 2022.

**Review of operations**

The profit/(loss) for the consolidated entity after providing for income tax and non-controlling interest amounted to $1.45m (31 December 2021: ($0.03m)).

Refer to the 'Operating and Financial Review' for further information.

**Significant changes in the state of affairs**

There were no significant changes in the state of affairs of the consolidated entity during the financial year.

**Matters subsequent to the end of the financial year**

There were no matters subsequent to the end of the financial year.

**Likely developments and expected results of operations**

There were no likely developments and expected results of operations impacts subsequent to the end of the financial year.

**Environmental regulation**

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

**Information on directors**

| | |
|---|---|
| Name: | Theo Hnarakis |
| Title: | Non-Executive Chairman |
| Qualifications: | B. Accounting |
| Experience and expertise: | 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 (resigned 2004), and with Advantate a JV with Fairfax Media (resigned 2011). |
| Other current directorships: | Farmgate MSU Pty Ltd |
| Former directorships (last 3 years): | Tapp Money (resigned 2020) |
| Interests in shares: | 11,752,311 ordinary shares |
| Interests in options: | None |
| Contractual rights to shares: | None |

| | |
|---|---|
| Name: | Charif El Ansari |
| Title: | Managing Director and Chief Executive Officer |
| Experience and expertise: | Charif was Dropsuite's first investor before taking over as CEO in October 2013. Prior to Dropsuite, Charif was a founding member of Google Singapore (Asia Pacific HQ), first heading sales and operations then business development for Southeast Asia. In addition to building various regional teams at Google, he 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 led a team to launch the first localized advertising product in Indonesia winning Google Asia Pacific Innovation Award. Prior to Google he worked at Dell in a career that spanned the USA (Dell HQ) as well as China, Korea and Japan. At Dell, Charif took on various leadership roles covering supply chain operations, sales and marketing.<br>He has a B.A. from the American University of Beirut and an MBA from Vanderbilt University (USA) and is member of Australian Institute of Company Directors (AICD). |
| Other current directorships: | None |
| Former directorships (last 3 years): | None |
| Interests in shares: | 33,685,439 ordinary shares |
| Interests in options: | None |
| Contractual rights to shares: | 400,000 performance rights |

| | |
|---|---|
| Name: | Bruce Tonkin |
| Title: | Non-Executive Director |
| Qualifications: | B.Electrical and Electronic Engineering (1st class honours), Ph.D in Electrical and Electronic Engineering from the University of Adelaide. |
| Experience and expertise: | 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.<br><br>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 |
| Former directorships (last 3 years): | None |
| Interests in shares: | 1,514,123 ordinary shares |
| Interests in options: | None |
| Contractual rights to shares: | None |

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

**Information on secretary:**

| | |
|---|---|
| Kobe Li: | Kobe currently provides company secretarial and corporate governance advisory services to a number of ASX listed companies. Prior to becoming a professional company secretary, He spent the previous 8 years with the Australian Securities Exchange (ASX) Listing Compliance team, as a Senior Advisor overseeing a portfolio of listed entities ensuring compliance with the ASX listing rules. During his tenure at the ASX he worked on many Initial Public Offerings (IPO’s) and numerous complex corporate transactions. He is a member of the Governance Institute of Australia. |
| Interests in shares: | 120,000 ordinary shares |
| Interests in options: | None |
| Contractual rights to shares: | 80,000 performance rights |

## Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 31 December 2022, and the number of meetings attended by each director were:

| | Full board | | Nomination and Remuneration Committee | | Audit and Risk Committee | |
|---|---|---|---|---|---|---|
| | Attended | Held | Attended | Held | Attended | Held |
| Theo Hnarakis | 14 | 14 | - | - | - | - |
| Charif El Ansari | 14 | 14 | - | - | - | - |
| Bruce Tonkin | 14 | 14 | - | - | - | - |

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

## Remuneration report

### Message from the Chairman of the Remuneration Committee

Dear Shareholders,

On behalf of Dropsuite's Board, I am pleased to present to you our remuneration report for 2022.

Dropsuite's performance was outstanding in 2022 where once again we were able to demonstrate the strength and scalability of our growing global business. The continued success of Dropsuite is built upon its strong, stable and talented team and market leading product and service. Our highly engaged, diverse and dedicated team, led by the Chief Executive Officer, Charif Elansari, puts our partners and users first and rapidly respond to any of our customers' requirements. During the period, Dropsuite expanded its senior management team to provide the personnel and structure to continue to drive revenue growth, strong culture and impeccable customer service.

Our focus for our employees at Dropsuite is to create a culture that both stimulates and motivates our people, encouraging and supporting them so that they feel empowered to provide the best backup and recovery product suite and service in the market. We will continue to invest in our team to ensure that Dropsuite continues to attract and retain the best talent in the industry. To ensure our team remains motivated and engaged, we conduct employee engagement surveys to determine where we - as a business and as a culture - can improve. I am pleased that in 2022 our employee satisfaction survey showed again overall positive results.

The Board believes there to be a close alignment between the Company's remuneration framework and its ongoing operational success. As such, the remuneration structure for the senior management team, being made up of a fixed, variable and long-term incentive, is closely linked to the performance of the Company with the objective of reinforcing the short and long-term goals of the Group.

I am satisfied that the remuneration framework for Dropsuite is consistent with market expectations and practice. The framework aligns the senior management team with the long-term success of the company and its shareholders.

Finally, on behalf of the Dropsuite Board, we hope that you find this Remuneration Report insightful. Thank you for your continued support of Dropsuite. We look forward to your ongoing engagement and feedback at our Annual General Meeting in May 2023.

**Yours sincerely,**

**Theo Hnarakis**
Chairperson

**Remuneration report (audited)**

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

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

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:
- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Nomination and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

In consultation with external remuneration consultants (refer to the section 'Use of remuneration consultants' below), the Nomination and Remuneration Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:
- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:
- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

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

*Non-executive directors remuneration*

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Nomination and Remuneration Committee. The Nomination and Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration. Non-executive directors do not receive share options or other incentives.

*Executive remuneration*
The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:
- base pay and non-monetary benefits
- short-term performance incentives
- long-term performance incentives
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Nomination and Remuneration Committee based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's include revenue attainment, profit contribution, customer satisfaction, leadership contribution and product management.

The long-term incentives ('LTI') include long service leave and share-based payments. Performance Rights are awarded to executives over a period of three years based on long-term incentive measures. These include increase in shareholders value relative to the entire market via 30VWAP vesting condition and employment tenue vesting conditions. The Nomination and Remuneration Committee reviewed the long-term equity-linked performance incentives specifically for executives during the year ended 31 December 2022.

*Consolidated entity performance and link to remuneration*
Remuneration for certain individuals is directly linked to the performance of the consolidated entity. A portion of cash bonus and incentive payments are dependent on defined earnings per share targets being met. The remaining portion of the cash bonus and incentive payments are at the discretion of the Nomination and Remuneration Committee. Refer to the section 'Additional information' below for details of the earnings and total shareholders return for the last five years.

The Board of Directors is of the opinion that the continued improved results can be attributed in part to the adoption of performance based compensation and is satisfied that this improvement will continue to increase shareholder wealth if maintained over the coming years.

An agreed set of protocols were put in place to ensure that the remuneration recommendations would be free from undue influence from key management personnel.

*Voting and comments made at the company's 2021 Annual General Meeting ('AGM')*
At the 2021 AGM, 99.95% of the votes received supported the adoption of the remuneration report for the year ended 31 December 2021. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

***Details of remuneration***

*Amounts of remuneration*
Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following directors of Dropsuite Limited:
- Theo Hnarakis - Non-Executive Chairman
- Bruce Tonkin - Non-Executive Director
- Charif El Ansari – Managing Director and Chief Executive Officer

And the following persons:
- Ridley Ruth – Chief Operating Officer
- Manoj Kalyanaraman – Chief Technology Officer (effective 16th February 2022)
- Ronald Hart - Chief Engineer (ceased being KMP effective 16th February 2022)
- Bill Kyriacou – Chief Financial Officer (full time effective 1st September 2022)
- Kobe Li – Company Secretary

The following table provides details of the actual remuneration received by the Non-executive and directors, and the key management personnel during FY22 and FY21.

| | Fixed Remuneration | | | Variable Remuneration | | |
|---|---|---|---|---|---|---|
| **AUD** | **Salary** | **Post-employment** | **Other** | **Cash STI** | **Equity Settled*** ** | **Total Remuneration** |
| ***Non-Executive Directors:*** | | | | | | |
| T. Hnarakis<br>FY 2022 | 163,636 | 16,773 | - | - | - | 180,409 |
| *T. Hnarakis<br>FY 2021* | *150,000* | *15,438* | - | - | - | *165,438* |
| B. Tonkin<br>FY 2022 | 75,000 | 7,688 | - | - | - | 82,688 |
| *B. Tonkin<br>FY 2021* | *70,000* | *7,204* | - | - | - | *77,204* |
| ***Executive Directors:*** | | | | | | |
| C. El Ansari<br>FY 2022 | 341,291 | - | 1,193 | 107,972 | 62,972 | 512,235 |
| *C. El Ansari<br>FY 2021* | *318,538* | *1,311* | - | *101,057* | *83,020* | *503,926* |
| ***Other Key Management Personnel:*** | | | | | | |
| R. Ruth ****<br>FY 2022 | 253,174 | - | 65,730 | 124,761 | 6,490 | 450,155 |
| *R. Ruth* ****<br>*FY 2021* | *233,832* | - | *54,521* | *139,530* | *2,456* | *430,339* |
| R. Hart *<br>FY 2022 | 30,206 | - | 888 | - | 6,490 | 37,584 |
| *R. Hart<br>FY 2021* | *220,527* | *6,675* | - | *42,120* | *2,456* | *271,778* |
| M. Kalyanaraman **<br>FY 2022 | 248,110 | - | 1,937 | - | 191,114 | 441,161 |
| *M. Kalyanaraman<br>FY 2021* | - | - | - | - | - | - |
| B. Kyriacou *****<br>FY 2022 | 137,800 | 7,350 | 3,000 | - | 11,677 | 159,827 |
| *B. Kyriacou<br>FY 2021* | *100,725* | - | | - | *4,098* | *104,823* |
| K. Li<br>FY 2022 | 60,000 | - | - | - | 290 | 60,290 |
| *K. Li (ii)<br>FY 2021* | *47,363* | - | - | - | *982* | *48,345* |
| **Total AUD FY 2022** | 1,309,217 | 31,811 | 71,555 | 232,733 | 279,033 | 1,924,349 |
| ***Total AUD FY 2021*** | *1,140,985* | *30,628* | *54,521* | *282,707* | *93,012* | *1,601,853* |

* Represents remuneration from 1 January 2022 to 15 February 2022, when ceasing to be deemed a KMP
** Represents remuneration from 16 February 2022 to 31 December 2022
*** Fully paid ordinary shares related to the performance rights granted under the Employee Long term Incentive plans
**** Ridley Ruth who domiciles in the United States, received a non-cash benefit of $65,730 (USD $45,567) as a payment for health insurance
***** Transitioned from part time to full time from 1 September 2022

## Non-executive director remunerations

The Board sets the fees for the non-executive directors at a level that provides Dropsuite with the ability to attract and retain directors of a high calibre.

The fees paid to non-executive directors are structured to reflect time commitment, workloads and responsibilities. Inline with our ASX listing, Dropsuite benchmarks non-executive fees against the Australian market.

In order to maintain independence, non-executive directors have not received any performance-related or at-risk compensation. Dropsuite does not provide any scheme for retirement benefits, other than statutory superannuation, for non-executive directors.

| Country of residence | Chair | Director |
|---|---|---|
| Annual Salary with effect from 1 January 2022 | | |
| Australia | 163,636 | 75,000 |

*No additional fees are currently paid for the Chair or members of committees

| Short-term benefits | Post-employment benefits | Share-based payments |
|---|---|---|

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

| | Fixed remuneration | | At risk - STI | | At risk - LTI | |
|---|---|---|---|---|---|---|
| **Name** | **2022** | **2021** | **2022** | **2021** | **2022** | **2021** |
| ***Non-Executive Directors:*** | | | | | | |
| Theo Hnarakis | 100% | 100% | - | - | - | - |
| Bruce Tonkin | 100% | 100% | - | - | - | - |
| ***Executive Directors:*** | | | | | | |
| Charif El Ansari | 67% | 69% | 21% | 22% | 12% | 10% |
| ***Other Key Management Personnel:*** | | | | | | |
| Ridley Ruth | 71% | 67% | 28% | 32% | 1% | 1% |
| Ron Hart | 86% | 84% | 12% | 16% | 2% | - |
| Bill Kyriacou | 93% | 95% | - | - | 5% | - |
| Manoj Kalyanaraman | 57% | - | - | - | 43% | - |
| Kobe Li | 100% | 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 first quarter of the following financial year by the Board of Directors.

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

| | Cash Bonus paid/payable | | Cash Bonus forfeited | |
|---|---|---|---|---|
| **Name** | **2022** | **2021** | **2022** | **2021** |
| ***Executive Directors:*** | | | | |
| Charif El Ansari | 94% | 87% | 6% | 13% |
| ***Other Key Management Personnel:*** | | | | |
| Ridley Ruth | 72% | 87% | 28% | 13% |
| Ron Hart | 88% | 60% | 12% | 40% |
| Bill Kyriacou | 91% | n/a | 9% | n/a |
| Manoj Kalyanaraman | 98% | n/a | 2% | n/a |

***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 salary for the year ending 31 December 2022 of SGD $326,304 plus statutory social security, 'at-risk' STI subject to annual performance review by the Nomination and Remuneration Committee. 6 month termination notice by either party. Cash bonus of up to 45% as per Nomination and Remuneration Committee approval and KPI achievement, non-solicitation and non-compete clauses. |

| | |
|---|---|
| Name: | Ridley Ruth |
| Title: | Chief Operating Officer |
| Agreement commenced: | 1 November 2015 |
| Term of agreement: | On-going |
| Details: | Base salary for the year ending 31 December 2022 of USD $175,512 plus statutory social security, 'at-risk' STI subject to annual performance review to be reviewed by the Nomination and Remuneration Committee. 2 month termination notice by either party. Cash bonus of up to US$120,000 as per KPI achievement, non-solicitation and non-compete clauses. |

| | |
|---|---|
| Name: | Ron Hart |
| Title: | Chief Technology Officer |
| Agreement commenced: | 1 January 2017 |
| Term of agreement: | On-going |
| Details: | Base salary for the year ending 31 December 2022 of SGD $229,154 plus 'at-risk' STI subject to annual performance review, to be reviewed annually by the Nomination and Remuneration Committee. 3 month termination notice by either party. Cash bonus of up to 20% as per KPI achievement, non-solicitation and non-compete clauses. |

| | |
|---|---|
| Name: | Bill Kyriacou |
| Title: | Chief Financial Officer |
| Agreement commenced: | 1 September 2022 |
| Term of agreement: | On-going |
| Details: | Base salary for the year ending 31 December 2022 of AUD $210,000 plus superannuation, 'at-risk' STI subject to annual performance review to be reviewed by the Nomination and Remuneration Committee. 2 month termination notice by either party. Cash bonus of up to 15% as per KPI achievement, non-solicitation and non-compete clauses. |

| | |
|---|---|
| Name: | Kobe Li |
| Title: | Company Secretary |
| Agreement commenced: | 31 July 2021 |
| Term of agreement: | On-going |
| Details: | Base monthly service fee for the year ending 31 December 2022 of AUD $5,000 (excluding GST). 2 month termination notice by either party. |

| | |
|---|---|
| Name: | Manoj Kalyanaraman |
| Title: | Chief Technology Officer |
| Agreement commenced: | 16 February 2022 |
| Term of agreement: | On-going |
| Details: | Base salary for the year ending 31 December 2022 of SGD $272,400 plus 'at-risk' STI subject to annual performance review, to be reviewed annually by the Nomination and Remuneration Committee. 3 month termination notice by either party. Cash bonus of up to 20% as per KPI achievement, non-solicitation and non-compete clauses. |

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

***Share-based compensation***

*Performance Rights Issued*
Details of Performance Rights issued to directors and other key management personnel as part of compensation during the year ended 31 December 2022 are set out below:

| Name | Date | Number of Performance Rights Granted |
|---|---|---|
| Manoj Kalyanaraman | 12-Apr-22 | 3,200,000 |
| Bill Kyriacou | 12-Apr-22 | 100,000 |

The performance rights fair value was $0.18 per right granted.

*Options*

No options were granted.

***Additional information***
The earnings of the consolidated entity for the five years to 31 December 2022 are summarised below:

| | 2022 $'000 | 2021 $'000 | 2020 $'000 | 2019 $'000 | 2018 $'000 |
|---|---|---|---|---|---|
| Sales revenue | 20,689 | 11,689 | 7,030 | 4,681 | 5,218 |
| EBITDA | 1,251 | 3 | (1,653) | (2,351) | (981) |
| EBIT | 1,191 | (34) | (2,134) | (3,180) | (1,528) |
| Profit after income tax | 1,450 | (31) | (2,147) | (3,146) | (1,457) |

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

| | 2022 | 2021 | 2021 | 2019 | 2018 |
|---|---|---|---|---|---|
| Share price at financial year end ($) | 0.18 | 0.23 | 0.145 | 0.048 | 0.026 |
| Total dividends declared (cents per share) | - | - | - | - | - |
| Basic earnings per share (cents per share) | 0.21 | (0.01) | (0.39) | (0.64) | (0.27) |

***Additional disclosures relating to key management personnel***

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

| | **Balance at the start of the year** | **Additions** | **Received on vesting and exercise of performance rights** | **Disposals during 2022** | **Balance at the end of the year** |
|---|---|---|---|---|---|
| ***Ordinary shares*** | | | | | |
| Theo Hnarakis | 11,752,311 | - | - | - | 11,752,311 |
| Charif El Ansari | 33,335,439 | - | 350,000 | - | 33,685,439 |
| Bruce Tonkin | 1,514,123 | - | - | - | 1,514,123 |
| Ridley Ruth | 17,919,468 | - | 175,000 | 2,500,000 | 15,594,468 |
| Ron Hart | 12,319,667 | - | 175,000 | 3,000,000 | 9,494,667 |
| Bill Kyriacou | 1,051,944 | - | 402,500 | - | 1,454,444 |
| Manoj Kalyanaraman | - | - | - | - | - |
| Kobe Li | 50,000 | - | 70,000 | - | 120,000 |
| Total Ordinary Shares relating to key management personnel | 77,940,952 | - | 1,172,500 | 5,500,000 | 73,615,452 |

*Granted and exercisable option holdings*
On 1 September 2020, Performance Rights were granted to the executive team as part of Long Term Incentives plan to Employees totaling 10,470,000. Tranche 1 and 2 have vested, with the balance being Tranche 3 below:

| **Executive Name** | **Expiry Date of 23 August 2024 *** |
|---|---|
| Charif El Ansari | 400,000 |
| Ridley Ruth | 200,000 |
| Ron Hart | 200,000 |
| Bill Kyriacou | 140,000 |
| Kobe Li | 80,000 |
| | **1,020,000** |

Each performance security, upon conversion, is equivalent to one Dropsuite Limited fully paid ordinary share. The number of performance rights and the specific performance right obligations are itemised below:

> 4,188,000 Performance Rights - A Performance Right Milestone will be taken to have been satisfied upon the Dropsuite Share price achieved a volume weighted average price of at least AUD $0.22 for a minimum of a thirty (30) day period provided that the employee be employed for a period of 36 months (until 31 August 2024) from the date of the grant.

* Refer to Note 28 for further terms and conditions

On 12 April 2022, Performance Rights were granted to the employees as part of Long Term Incentives Plan to Employees totaling 11,400,000.

| Executive Name | Expiry Date of 13 August 2025 * |
|---|---|
| Bill Kyriacou | 100,000 |
| Manoj Kalyanaraman | 3,200,000 |
| | 3,300,000 |

Each performance security, upon conversion, is equivalent to one Dropsuite Limited fully paid ordinary share. The number of performance rights and the specific performance right obligations are itemised below:

> 2,850,000,000 Performance Rights - A Performance Right Milestone will be taken to have been satisfied upon the Dropsuite Share price achieve a volume weighted average price of at least AUD $0.25 for a minimum of a thirty (30) day period provided that the employee be employed for a period of 12 months (until 31 August 2025) from the date of the grant.
>
> 3,990,000 Performance Rights - A Performance Right Milestone will be taken to have been satisfied upon the Dropsuite Share price achieve a volume weighted average price of at least AUD $0.32 for a minimum of a thirty (30) day period provided that the employee be employed for a period of 24 months (until 31 August 2025) from the date of the grant.
>
> 4,560,000 Performance Rights - A Performance Right Milestone will be taken to have been satisfied upon the Dropsuite Share price achieve a volume weighted average price of at least AUD $0.38 for a minimum of a thirty (30) day period provided that the employee be employed for a period of 36 months (until 31 August 2025) from the date of the grant.

* Refer to Note 28 for further terms and conditions

Other transactions with key management personnel and their related parties
None.

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

**Shares under option**
Unissued ordinary shares of Dropsuite Limited under option at the date of this report are as follows:

| Grant date | Expiry date | Exercise price | Number under option |
|---|---|---|---|
| 12/04/2022 | 31/03/2025 | Nil | 11,400,000 |
| 18/07/2022 | 30/06/2025 | Nil | 400,000 |
| 01/09/2020 | 31/08/2024 | Nil | 3,640,000 |
| | | | 15,440,000 |

No person entitled to exercise the performance rights had or has any right by virtue of the performance right to participate in any share issue of the company or of any other body corporate.

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

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

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

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

**Proceedings on behalf of the company**
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

**Non-audit services**
Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 21 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 21 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:
- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

**Officers of the company who are former partners of RSM Australia Partners**
There are no officers of the company who are former partners of RSM Australia Partners .

**Rounding of amounts**
The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

**Auditor's independence declaration**
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

**Auditor**
RSM Australia Pty Ltd was appointed as the Company’s Auditors on the 15 July 2022 in accordance with section 327A of the Corporations Act 2001.

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

On behalf of the directors

Theo Hnarakis
Non-Executive Chairperson

28 February 2023
Melbourne, Victoria

**RSM Australia Partners**

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# AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Dropsuite Limited and its controlled entities for the year ended 31 December 2022, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM

**RSM AUSTRALIA PARTNERS**

**M PARAMESWARAN**
Partner

Dated: 28 February 2023
Melbourne, Victoria

## General information

The financial statements cover Dropsuite Limited as a consolidated entity consisting of Dropsuite Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Dropsuite Limited's functional and presentation currency.

Dropsuite Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

| **Registered office** | **Principal place of business** |
|---|---|
| 14 Emerald Terrace<br>West Perth WA 6005 | 10 Anson Road, International Plaza #14-07<br>Singapore 079903 |

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 February 2023. The directors have the power to amend and reissue the financial statements.

**Dropsuite Limited**
**Statement of profit or loss and other comprehensive income**
**For the year ended 31 December 2022**

| | Note | Consolidated 2022 $'000 | 2021 $'000 |
|---|---|---|---|
| **Revenue from continuing operations** | 4 | 20,689 | 11,689 |
| | | | |
| Other income | 5 | 6 | 14 |
| Interest revenue | | 259 | 4 |
| | | | |
| **Expenses** | | | |
| Hosting fees | 6 | (7,085) | (4,158) |
| Marketing and conference expenses | 6 | (963) | (627) |
| Technology expense | 6 | (572) | (342) |
| Professional fees | 6 | (284) | (257) |
| Employee benefits expense | 6 | (8,134) | (4,953) |
| Depreciation expense | 6 | (60) | (37) |
| Share based payment expenses | 6,28 | (866) | (171) |
| Other expenses | 6 | (1,540) | (1,193) |
| | | | |
| **Profit/Loss before income tax expense from continuing operations** | | 1,450 | (31) |
| | | | |
| Income tax expense | 7 | - | - |
| | | | |
| **Profit/Loss after income tax expense for the year** | | 1,450 | (31) |
| | | | |
| **Other comprehensive income** | | | |
| | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | |
| Gain on the revaluation of equity instruments at fair value through other comprehensive income, net of tax | | | |
| Exchange differences in translating foreign operations | | 16 | 91 |
| | | | |
| Other comprehensive income (loss) for the year, net of tax | | 16 | 91 |
| | | | |
| **Total comprehensive income for the year** | | 1,466 | 59 |
| | | **Cents** | **Cents** |
| **Earnings per share for profit from continuing operations attributable to the owners of Dropsuite Limited** | | | |
| Basic earnings/(loss) per share | 27 | 0.21 | (0.01) |
| Diluted earnings per share | 27 | 0.21 | (0.00) |

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

**Dropsuite Limited**
**Statement of financial position**
**As at 31 December 2022**

| | Note | 2022 $'000 | 2021 $'000 |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 8 | 22,336 | 21,604 |
| Trade and other receivables | 9 | 4,060 | 2,150 |
| Other assets | 10 | 377 | 245 |
| Total current assets | | 26,773 | 24,000 |
| **Non-current assets** | | | |
| Investments | | 9 | 7 |
| Property, plant and equipment | | 69 | 47 |
| Other | | 66 | 59 |
| Total non-current assets | | 144 | 113 |
| **Total assets** | | 26,917 | 24,112 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 11 | 2,487 | 2,027 |
| Deferred income | 12 | 149 | 135 |
| Income tax provision | 13 | - | - |
| Total current liabilities | | 2,636 | 2,162 |
| Non-current liabilities | | | |
| Other | 14 | 50 | 50 |
| Total non-current liabilities | | 50 | 50 |
| Total liabilities | | 2,686 | 2,213 |
| **Net assets** | | 24,231 | 21,900 |
| **Equity** | | | |
| Issued capital | 15 | 43,416 | 43,416 |
| Reserves | 16 | 989 | 108 |
| Retained earnings | 17 | (20,174) | (21,624) |
| **Total equity** | | 24,231 | 21,900 |

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

**Dropsuite Limited**
**Statement of changes in equity**
**For the year ended 31 December 2022**

| Consolidated | Issued capital $'000 | Foreign exchange reserve $'000 | Share based payments reserve $'000 | Retained earnings $'000 | Total equity $'000 |
|---|---|---|---|---|---|
| Balance at 1 January 2021 | 24,251 | (60) | 48 | (21,592) | 2,646 |
| Loss after income tax expense for the year | - | - | - | (31) | (31) |
| Other comprehensive income for the year, net of tax | - | 91 | - | - | 91 |
| Total comprehensive loss for the year | - | 91 | - | (31) | 59 |
| *Transactions with owners in their capacity as owners:* | | | | | |
| Contributions of equity, net of transaction costs | 19,024 | - | - | - | 19,024 |
| Share Based Premium Reserve (note 28) | | | 171 | | 171 |
| Performance Rights exercised | 142 | - | (142) | - | - |
| Balance at 31 December 2021 | 43,416 | 30 | 77 | (21,624) | 21,900 |

| Consolidated | Issued capital $'000 | Foreign exchange reserve $'000 | Share based payments reserve $'000 | Retained earnings $'000 | Total equity $'000 |
|---|---|---|---|---|---|
| Balance at 1 January 2022 | 43,416 | 30 | 77 | (21,624) | 21,900 |
| Profit after income tax expense for the year | - | - | - | 1,450 | 1,450 |
| Other comprehensive income for the year, net of tax | - | 16 | - | - | 16 |
| Total comprehensive income for the year | - | 16 | - | 1,450 | 1,466 |
| *Transactions with owners in their capacity as owners:* | | | | | |
| Contributions of equity, net of transaction costs | - | - | - | - | - |
| Share-based Premium Reserve (note 28) | - | - | 866 | - | 866 |
| Performance Rights exercised | - | - | - | - | - |
| Balance at 31 December 2022 | 43,416 | 46 | 943 | (20,174) | 24,231 |

**Dropsuite Limited**
**Statement of cash flows**
**For the year ended 31 December 2022**

| | Note | Consolidated 2022 $'000 | 2021 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers (inclusive of GST) | | 18,796 | 10,963 |
| Payments to suppliers and employees (inclusive of GST) | | (18,100) | (10,708) |
| Interest received | | 233 | 4 |
| Net cash from operating activities | 26 | 928 | 259 |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | | (78) | (63) |
| Net cash used in investing activities | | (78) | (63) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares | | - | 20,000 |
| Share issue transaction costs | | - | (1,074) |
| Net cash used from financing activities | | - | 18,926 |
| Net increase/(decrease) in cash and cash equivalents | | 850 | 19,122 |
| Cash and cash equivalents at the beginning of the financial year | | 21,604 | 2,482 |
| Effects of exchange rate changes on cash and cash equivalents | | (118) | - |
| Cash and cash equivalents at the end of the financial year | 8 | 22,336 | 21,604 |

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

## Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### New or amended Accounting Standards and Interpretations adopted

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

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

### Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

*Historical cost convention*

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

*Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

### Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 24.

### Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Dropsuite Limited ('company' or 'parent entity') as at 31 December 2022 and the results of all subsidiaries for the year then ended. Dropsuite Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

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

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

The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

**Note 1. Significant accounting policies (continued)**

**Operating segments**
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 2022, 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.

**Foreign currency translation**
The financial statements are presented in Australian dollars, which is Dropsuite Limited's functional and presentation currency.

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

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

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

**Revenue recognition**
The consolidated entity recognises revenue as follows:

*Revenue from contracts with customers*

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

**Note 1. Significant accounting policies (continued)**

*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.

*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. For direct customer sign-ups via website, the revenue is recognised over time (based on 12 month contract), from the date of sign-up and first performance obligation met.

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.

*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 or service 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 or service ordered in such contracts. Where a customer orders more than one product or service line, the Group is able to determine the split of the total contract price between each product or service line by reference to each product or service's standalone selling prices (all product or service 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.

*Interest*
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

*Other revenue*
Other revenue is recognised when it is received or when the right to receive payment is established.

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

## Note 1. Significant accounting policies (continued)

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

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

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

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

### Current and non-current classification

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

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

### Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

### Trade and other receivables

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

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

**Note 1. Significant accounting policies (continued)**

**Property, plant and equipment**
Land and buildings are shown at fair value, based on periodic, at least every 3 years, valuations by external independent valuers, less subsequent depreciation and impairment for buildings. The valuations are undertaken more frequently if there is a material change in the fair value relative to the carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Increases in the carrying amounts arising on revaluation of land and buildings are credited in other comprehensive income through to the revaluation surplus reserve in equity. Any revaluation decrements are initially taken in other comprehensive income through to the revaluation surplus reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to profit or loss.

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

| | |
|---|---|
| Leasehold improvements | 3-10 years |
| Plant and equipment | 3-7 years |

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

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

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

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

**Trade and other payables**
These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

**Contract liabilities**
Contract liabilities represent the consolidated entity's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the consolidated entity recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the consolidated entity has transferred the goods or services to the customer.

**Note 1. Significant accounting policies (continued)**

**Finance costs**
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

**Provisions**
Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

**Employee benefits**

*Short-term employee benefits*
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

*Other long-term employee benefits*
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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

*Share-based payments*
Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using the Monte Carlo pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

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

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

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

**Note 1. Significant accounting policies (continued)**

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

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

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

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

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

**Issued capital**
Ordinary shares are classified as equity.

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

**Dividends**
The company has paid no dividends during 2022.

**Earnings per share**

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

*Diluted earnings per share*
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

**Goods and Services Tax ('GST') and other similar taxes**
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

## Note 1. Significant accounting policies (continued)

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

### Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

### New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 31 December 2022. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

## Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on 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 significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

*Share-based payment transactions*

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Monte Carlo pricing model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. Refer to note 28 for further information.

*Revenue from contracts with customers involving service*

When recognising revenue in relation to the service to customers, the key performance obligation of the consolidated entity is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

*Allowance for expected credit losses*

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

*Income tax*

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

## Note 2. Critical accounting judgements, estimates and assumptions (continued)

*Recovery of deferred tax assets*
Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

*Employee benefits provision*
As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

## Note 3. 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.

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 2022, 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 and loss and other comprehensive income.

*Intersegment transactions*
Intersegment transactions were made at market rates.

*Intersegment receivables, payables and loans*
Intersegment loans are initially recognised at the consideration received. Intersegment loans are eliminated on consolidation.

*Geographical information*

| | **Sales to external customers** | |
|---|---|---|
| | **2022** | **2021** |
| | **$'000** | **$'000** |
| Australia | 595 | 339 |
| Singapore | 144 | 139 |
| Europe | 4,712 | 2,368 |
| USA | 14,294 | 8,034 |
| Rest of the world | 944 | 809 |
| | 20,689 | 11,689 |

## Note 4. Revenue

| | Consolidated 2022 $'000 | Consolidated 2021 $'000 |
|---|---|---|
| **From continuing operations** | | |
| *Revenue from contracts with customers* | | |
| Rendering of services point in time | 20,352 | 11,444 |
| Rendering of services over time | 337 | 245 |
| | 20,689 | 11,689 |
| *Other revenue* | | |
| Other Income | 6 | 14 |
| Interest Income | 259 | 4 |
| | 265 | 18 |
| Revenue from continuing operations | 20,954 | 11,707 |

## Note 5. Other income

| | Consolidated 2022 $'000 | Consolidated 2021 $'000 |
|---|---|---|
| Unrealised gain on shares | 1 | 4 |
| Government grants | 5 | 10 |
| Other income | 6 | 14 |

## Note 6. Expenses

| | Consolidated 2022 $'000 | Consolidated 2021 $'000 |
|---|---|---|
| Profit before income tax from continuing operations includes the following specific expenses: | | |
| *Cost of sales* | | |
| Hosting Fees | 7,085 | 4,158 |
| *Depreciation* | | |
| Plant and equipment | 60 | 37 |
| *Marketing and conference expenses* | | |
| Marketing expenses | 745 | 556 |
| Conference and exhibition expenses | 217 | 71 |
| Marketing and conference expenses | 963 | 627 |
| *Technology expense* | | |
| Technology expense | 572 | 342 |

**Dropsuite Limited**
**Notes to the financial statements**
**31 December 2022**

## Note 6. Expenses (continued)

| | | |
|---|---|---|
| *Professional fees* | | |
| Accounting audit & taxation expense | 281 | 247 |
| Legal expense | 3 | 10 |
| *Professional fees* | 284 | 257 |
| *Employee benefits expense* | | |
| Wages Salaries | 7,432 | 4,418 |
| Director's fees | 604 | 535 |
| Superannuation | 98 | - |
| *Employee benefits* | 8,134 | 4,953 |
| *Other expenses* | | |
| Office rental expense | 83 | 75 |
| Bank and merchant fees | 67 | 45 |
| Other office expenses | 327 | 260 |
| Office services | 33 | 6 |
| Foreign currency gains and losses | 116 | 45 |
| Withholding tax | 208 | 182 |
| Corporate advisory & listing fees | 180 | 228 |
| Due Diligence Fees | 25 | 212 |
| Travelling expenses | 308 | 44 |
| Impairment of receivables | 62 | 3 |
| Insurance expenses | 131 | 93 |
| Total expenses | 1,540 | 1,193 |
| *Share based payment expenses* | | |
| Share based payment expenses | 866 | 171 |

## Note 7. Income tax expense

| | Consolidated 2022 $'000 | Consolidated 2021 $'000 |
|---|---|---|
| *Income tax expense* | | |
| Current tax | - | - |
| Deferred tax - origination and reversal of temporary differences | - | - |
| Aggregate income tax expense | - | - |
| Income tax expense is attributable to: | | |
| Profit from continuing operations | - | - |
| Aggregate income tax expense | - | - |
| Deferred tax included in income tax expense comprises: | | |
| Increase in deferred tax assets | - | - |
| Increase/(decrease) in deferred tax liabilities | - | - |
| Deferred tax - origination and reversal of temporary differences | - | - |
| *Numerical reconciliation of income tax expense and tax at the statutory rate* | | |
| Profit before income tax expense from continuing operations | 1,450 | (31) |
| Profit before income tax expense from discontinued operations | - | - |
| | 1,450 | (31) |
| Tax at the statutory tax rate of 25% | (362) | (9) |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Entertainment expenses | - | - |
| Impairment of goodwill | - | - |
| Share-based payments | 216 | 8 |
| Share of profits - associates | - | - |
| Loss on disposal of subsidiary | - | - |
| Sundry items | 146 | 1 |
| Adjustment recognised for prior periods | - | - |
| Income tax expense | - | - |

| | Consolidated 2022 $'000 | Consolidated 2021 $'000 |
|---|---|---|
| *Amounts charged/(credited) directly to equity* | | |
| Deferred tax assets | - | - |
| Deferred tax liabilities | - | - |
| | - | - |

## Note 8. Current assets - cash and cash equivalents

| | Consolidated 2022 $'000 | Consolidated 2021 $'000 |
|---|---|---|
| Cash at bank | 7,536 | 20,604 |
| Cash on Term deposit | 14,800 | 1,000 |
| | 22,336 | 21,604 |

*Reconciliation to cash and cash equivalents at the end of the financial year*
The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

| | Consolidated 2022 $'000 | Consolidated 2021 $'000 |
|---|---|---|
| Balances as above | 22,336 | 21,604 |
| Balance as per statement of cash flows | 22,336 | 21,604 |

## Note 9. Current assets - trade and other receivables

| | Consolidated 2022 $'000 | Consolidated 2021 $'000 |
|---|---|---|
| Trade receivables | 4,033 | 2,078 |
| Less: Allowance for expected credit losses | (86) | (22) |
| | 3,947 | 2,056 |
| Other receivables | 27 | 85 |
| Deposits | 59 | 9 |
| Interest receivable | 27 | - |
| | 4,060 | 2,150 |

*Allowance for expected credit losses*
The consolidated entity has recognised a nil loss in profit or loss in respect of the expected credit losses for the year ended 31 December 2022.

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

| Consolidated | Expected credit loss rate 2022 % | Expected credit loss rate 2021 % | Carrying amount 2022 $'000 | Carrying amount 2021 $'000 | Allowance for expected credit losses 2022 $'000 | Allowance for expected credit losses 2021 $'000 |
|---|---|---|---|---|---|---|
| Neither past due nor impaired | 0% | 0% | 2,144 | 1,167 | - | - |
| 0 to 60 days overdue | 0% | 0% | 1,712 | 793 | - | - |
| 60 to 90 days overdue | 0% | 0% | 62 | 32 | - | - |
| Over 90 days overdue | 75% | 25% | 115 | 86 | 86 | 22 |
| | | | 4,033 | 2,078 | 86 | 22 |

The consolidated entity has increased its monitoring of debt recovery as there is an increased probability of customers delaying payment or being unable to pay. As a result, the calculation of expected credit losses has been revised as at 31 December 2022 and rates have increased up to 90 days overdue.

## Note 9. Current assets - trade and other receivables (continued)

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

| | Consolidated | |
|---|---|---|
| | 2022 $'000 | 2021 $'000 |
| Opening balance | 22 | 22 |
| Additional provisions recognised | 64 | - |
| Receivables written off during the year as uncollectable | - | - |
| Unused amounts reversed | - | - |
| Closing balance | 86 | 22 |

## Note 10. Current assets - other

| | Consolidated | |
|---|---|---|
| | 2022 $'000 | 2021 $'000 |
| Prepayments | 377 | 245 |
| | 377 | 245 |

## Note 11. Current liabilities - trade and other payables

| | Consolidated | |
|---|---|---|
| | 2022 $'000 | 2021 $'000 |
| Trade creditors | 705 | 854 |
| Hosting fee accrual | 668 | 501 |
| Other payables and accruals | 95 | 80 |
| Wages payable | 37 | 20 |
| Annual leave | 256 | 244 |
| Bonus payable | 660 | 328 |
| Superannuation | 66 | - |
| | 2,487 | 2,027 |

## Note 12. Current liabilities - contract liabilities

| | Consolidated | |
|---|---|---|
| | 2022 $'000 | 2021 $'000 |
| Contract liabilities | 149 | 135 |

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

| | | |
|---|---|---|
| Opening balance | (135) | (98) |
| Billings in advance | 324 | 208 |
| Transfer to revenue - included in the opening balance | (135) | (98) |
| Transfer to revenue - performance obligations satisfied during the year | (203) | (147) |
| Transfer to revenue - other balances | - | - |
| Closing balance | (149) | (135) |

*Unsatisfied performance obligations*
The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was $148,758 as at 31 December 2022 ($135,338 as at 31 December 2021) and is expected to be recognised as revenue in future periods as follows:

| | Consolidated | |
|---|---|---|
| | 2022 $'000 | 2021 $'000 |
| Within 6 months | 109 | 121 |
| 6 to 12 months | 40 | 14 |
| 12 to 18 months | - | - |
| 18 to 24 months | - | - |
| | 149 | 135 |

## Note 13. Current liabilities - income tax

| | Consolidated | |
|---|---|---|
| | 2022 $'000 | 2021 $'000 |
| Provision for income tax | - | - |

## Note 14. Non-current liabilities - Other

| | Consolidated | |
|---|---|---|
| | 2022 $'000 | 2021 $'000 |
| Less than marketable parcels held until 2024 Unmarketable parcel of shares | 50 | 50 |

## Note 15. Equity - issued capital

| | Consolidated | | | |
|---|---|---|---|---|
| | **2022 Shares** | **2021 Shares** | **2022 $'000** | **2021 $'000** |
| Ordinary shares - fully paid | 689,892,092 | 681,868,086 | 43,416 | 43,416 |

*Movements in ordinary share capital*

| **Details** | **Date** | **Shares** | **Issue price** | **$'000** |
|---|---|---|---|---|
| Balance | 1 December 2021 | 565,015,657 | | 24,251 |
| Performance rights exercised | 23 March 2021 | 14,933,333 | $0.22 | 98 |
| Issue of shares | 23 August 2021 | 76,238,096 | $0.21 | 16,010 |
| Share issue transaction costs, net of tax | 23 August 2021 | | | (976) |
| Performance rights exercised | 26 August 2021 | 4,081,000 | $0.20 | 26 |
| Issue of shares | 8 September 2021 | 19,000,000 | $0.21 | 3,990 |
| Performance rights exercised | 8 October 2021 | 2,600,000 | $0.22 | 17 |
| Balance | 31 December 2021 | 681,868,086 | | 43,416 |
| Issue of shares | 11 February 2022 | 6 | $0.00 | - |
| Performance rights exercised | 23 August 2022 | 8,024,000 | $0.18 | - |
| Balance | 31 December 2022 | 689,892,092 | | 43,416 |

*Ordinary shares*
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

*Share buy-back*
There is no current on-market share buy-back.

*Capital risk management*
The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

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

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

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 30 June 2021 Annual Report.

## Note 16. Equity - reserves

| | Consolidated 2022 $'000 | Consolidated 2021 $'000 |
|---|---|---|
| Share Based Payments Reserve | 943 | 77 |
| Foreign currency reserve | 46 | 30 |
| | 989 | 107 |

*Financial assets at fair value through other comprehensive income reserve*
The reserve is used to recognise increments and decrements in the fair value of financial assets at fair value through other comprehensive income.

*Foreign currency reserve*
The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

*Movements in reserves*
Movements in each class of reserve during the current and previous financial year are set out below:

| **Consolidated** | Foreign currency $'000 | Share Based Payments Reserve $'000 | Total $'000 |
|---|---|---|---|
| Balance at 1 December 2021 | (60) | 48 | (12) |
| Other comprehensive income | 91 | - | 90 |
| Share based payment performance rights exercised | - | 171 | 171 |
| Performance rights exercised | - | (142) | (142) |
| Balance at 31 December 2021 | 30 | 77 | 107 |
| Other comprehensive income | 16 | - | 16 |
| Share based payment performance rights | - | 866 | 866 |
| Performance rights exercised | - | - | - |
| Balance at 31 December 2022 | 46 | 943 | 989 |

## Note 17. Equity - retained profits

| | Consolidated 2022 $'000 | Consolidated 2021 $'000 |
|---|---|---|
| Retained losses at the beginning of the financial year | (21,624) | (21,592) |
| Profit/(Loss) after income tax expense for the year | 1,450 | (31) |
| Other comprehensive income / (loss) for the year | - | - |
| Retained profits at the end of the financial year | (20,174) | (21,624) |

## Note 18. Financial instruments

***Financial risk management objectives***
The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

***Market risk***

*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 risk is measured using sensitivity analysis and cash flow forecasting.

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

| | Assets | | Liabilities | |
|---|---|---|---|---|
| **Consolidated** | **2022 $'000** | **2021 $'000** | **2022 $'000** | **2021 $'000** |
| US dollars | 4,040 | 1,787 | 299 | 140 |
| Singapore dollars | 13,240 | 7,722 | 8,575 | 8,608 |
| Indian rupees | 1,062 | - | 15,880 | - |

*Price risk*
The consolidated entity is not exposed to any significant price risk.

***Credit risk***
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

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

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

**Note 18. Financial instruments (continued)**

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

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

***Fair value of financial instruments***
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

**Note 19. Fair value measurement**

*Fair value hierarchy*
The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

| **Consolidated - 2022** | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
|---|---|---|---|---|
| *Assets* | | | | |
| Ordinary shares at fair value through profit or loss | 9 | - | - | 9 |
| Ordinary shares at fair value through other comprehensive income | - | - | - | - |
| Total assets | 9 | - | - | 9 |
| *Liabilities* | | | | |
| Forward foreign exchange contracts | - | - | - | - |
| Total liabilities | - | - | - | - |

| **Consolidated - 2021** | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
|---|---|---|---|---|
| *Assets* | | | | |
| Ordinary shares at fair value through profit or loss | 7 | - | - | 7 |
| Total assets | 7 | - | - | 7 |
| *Liabilities* | | | | |
| Forward foreign exchange contracts | - | - | - | - |
| Total liabilities | - | - | - | - |

Assets and liabilities held for sale are measured at fair value on a non-recurring basis.

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

## Note 20. Key management personnel disclosures

*Compensation*
The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

| | Consolidated | |
|---|---|---|
| | **2022** | **2021** |
| | **$** | **$** |
| Short-term employee benefits | 1,613,491 | 1,478,213 |
| Post-employment benefits | 31,811 | 30,628 |
| Long-term benefits | - | - |
| Share-based payments | 279,033 | 93,012 |
| | 1,924,335 | 1,601,853 |

## Note 21. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by RSM Australia Pty Ltd, the auditor of the company, its network firms and unrelated firms:

| | Consolidated | |
|---|---|---|
| | **2022** | **2021** |
| | **$** | **$** |
| *Audit services – RSM Australia Partners* | | |
| Audit or review of the financial statements | 68,000 | - |
| *Other services - RSM Australia Partners* | | |
| Due diligence | 18,636 | 76,723 |
| Tax services | 19,000 | - |
| | - | - |
| | 105,636 | 76,723 |
| *Audit services - RSM Singapore* | | |
| Audit or review of the financial statements | 31,901 | - |
| *Other services - network firms* | | |
| Tax services | - | - |
| | 31,901 | |
| *Audit services - unrelated firms* | | |
| Audit or review of the financial statements | - | 53,374 |

## Note 22. Commitments

| | Consolidated | |
|---|---|---|
| | **2022** | **2021** |
| | **$'000** | **$'000** |
| *Operating lease commitments* | | |
| Committed at the reporting date but not recognised as liabilities, payable: | | |
| Within one year | 88 | 48 |
| One to five years | 103 | 4 |
| | 191 | 52 |

## Note 23. Related party transactions

*Parent entity*
Dropsuite Limited is the parent entity.

*Key management personnel*
Disclosures relating to key management personnel are set out in note 20 and the remuneration report included in the directors' report.

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

*Terms and conditions*
All transactions were made on normal commercial terms and conditions and at market rates.

## Note 24. Parent entity information

Set out below is the supplementary information about the parent entity.

*Statement of profit or loss and other comprehensive income*

| | Parent | |
|---|---|---|
| | **2022** **$'000** | **2021** **$'000** |
| Profit (Loss) after income tax | (1,245) | (1,338) |
| Total comprehensive income | 259 | 7 |

*Statement of financial position*

| | Parent | |
|---|---|---|
| | **2022** **$'000** | **2021** **$'000** |
| Total current assets | 15,392 | 20,110 |
| Total assets | 26,047 | 26,794 |
| Total current liabilities | 127 | 317 |
| Total liabilities | 178 | 367 |
| Equity | | |
| Issued capital | 44,756 | 44,756 |
| Reserves | (1,504) | (2,191) |
| Cost of capital | 1,366 | 1,366 |
| Retained profits | (18,749) | (17,504) |
| Total equity | 25,869 | 26,427 |

*Guarantees entered into by the parent entity in relation to the debts of its subsidiaries*
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 31 December 2022 and 31 December 2021.

## Note 24. Parent entity information (continued)

*Contingent liabilities*
The parent entity had no contingent liabilities as at 31 December 2022 and 31 December 2021.

*Capital commitments - Property, plant and equipment*
The parent entity had no capital commitments for property, plant and equipment as at 31 December 2022 and 31 December 2021.

*Significant accounting policies*
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.

## Note 25. Interests in subsidiaries

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

| | | Ownership interest | |
|---|---|---|---|
| | Principal place of business / | 2022 | 2021 |
| **Name** | **Country of incorporation** | **%** | **%** |
| Dropmysite Pte Ltd | Singapore | 100.00% | 100.00% |
| Dropmysite Inc | USA | 100.00% | 100.00% |
| Greenbase Corporation Pty Ltd | Australia | 100.00% | 100.00% |
| Dropsuite India Private Limited | India | 100.00% | 100.00% |

## Note 26. Reconciliation of profit after income tax to net cash from operating activities

| | Consolidated 2022 $'000 | 2021 $'000 |
|---|---|---|
| Profit after income tax expense for the year | 1,450 | (31) |
| Adjustments for: | | |
| Depreciation and amortisation | 60 | 37 |
| Share-based payments | 866 | - |
| Foreign exchange differences | 16 | 91 |
| Change in operating assets and liabilities: | | |
| Decrease/(increase) in trade and other receivables | (1,910) | (759) |
| Decrease/(increase) in investments | (1) | (4) |
| Increase in prepayments | (132) | (110) |
| Increase in other operating assets | (7) | - |
| Increase/(decrease) in trade and other payables | 147 | 956 |
| Increase in employee benefits | 426 | 13 |
| Increase in other provisions | - | - |
| Increase in other operating liabilities | 13 | 66 |
| Net cash from operating activities | 928 | 259 |

## Note 27. Earnings per share

| | Consolidated 2022 $'000 | 2021 $'000 |
|---|---|---|
| *Earnings per share for profit from continuing operations* | | |
| Profit/(Loss) after income tax | 1,450 | (31) |
| Non-controlling interest | - | - |
| Profit/(Loss) after income tax attributable to the owners of Dropsuite Limited | 1,450 | (31) |
| Profit after income tax attributable to the owners of Dropsuite Limited used in calculating diluted earnings per share | 1,450 | (31) |

| | Cents | Cents |
|---|---|---|
| Basic earnings per share | 0.21 | (0.01) |
| Diluted earnings per share | 0.21 | (0.00) |

## Note 27. Earnings per share (continued)

| | Number | Number |
|---|---|---|
| *Weighted average number of ordinary shares* | | |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 684,066,447 | 612,020,109 |
| Adjustments for calculation of diluted earnings per share: | | |
| Non-converted performance rights | 15,440,000 | 17,184,500 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 699,506,447 | 629,204,609 |

## Note 28. Share-based payments

On 12 April 2022, 11,400,000 Performance Rights were granted to employees with a nil issue price per right and a total transactional value of $2,202,470 being amortised over the vesting period, using the Monte Carlo valuation method with assumptions including risk free rate of 2.39% and volatility of 75%. The DSE share price at the start of valuation date was $0.22.

On 18 July 2022, 400,000 Performance Rights were granted to employees with a nil issue price per right and a total transactional value of $77,280 being amortised over the vesting period, using the Monte Carlo valuation method with assumptions including risk free rate of 2.39% and volatility of 75%. The DSE share price at the start of valuation date was $0.22.

A long-term incentives plan has been established by the consolidated entity and approved by shareholders at a general meeting, whereby the consolidated entity may, at the discretion of the Board of Directors, grant performance rights in the company to certain employees of the consolidated entity. The performance rights are issued for nil consideration and are granted in accordance with performance guidelines established by the Board of Directors.

Set out below are summaries of performance rights granted under all plans:

2022

| Grant date | Expiry date | Exercise Price | Fair Value per Right | Balance at the start of the year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
|---|---|---|---|---|---|---|---|---|
| 12/04/2022 | 31/03/2025 | Nil | $ 0.18 | - | 11,400,000 | - | - | 11,400,000 |
| 18/07/2022 | 30/06/2025 | Nil | $ 0.18 | - | 400,000 | - | - | 400,000 |
| 01/09/2020 | 31/08/2024 | Nil | $ 0.02 | 7,800,000 | - | (3,360,000) | (830,000) | 3,640,000 |
| 17/07/2019 | 01/07/2023 | Nil | $ 0.02 | 4,832,000 | - | (4,664,000) | (168,000) | - |
| | | | | 12,632,000 | 11,800,000 | (8,024,000) | (998,000) | 15,440,000 |

**Dropsuite Limited**
**Directors' declaration**
**31 December 2022**

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2022 and of its performance for the financial year ended on that date;

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

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
Non-Executive Chairperson

28 February 2023
Melbourne, Victoria

**RSM Australia Partners**

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# INDEPENDENT AUDITOR'S REPORT
## To the Members of Dropsuite Limited

### Opinion

We have audited the financial report of Dropsuite Limited (the Company) and its controlled entities (the Group), which comprises the consolidated statement of financial position as at 31 December 2022, 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 2022 and of its financial performance for the year then 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.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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.

| Key Audit Matter | How our audit addressed this matter |
|---|---|
| ***Recognition of Revenue***<br>Refer to Note 4 in the financial statements | |
| Revenue recognition was considered a key audit matter, due to the significance of the revenue amounts to the Group's consolidated financial statements.<br>The Group's revenue is primarily derived from the provision of backup and archiving services to customers. | Our audit procedures in relation to the recognition of revenue included:<br>• Assessing the recognition and measurement of revenue against the requirements of AASB 15 *Revenue from contracts with customers*;<br>• Evaluating the operating effectiveness of management's controls relating to revenue recognition;<br>• For a sample of revenue transactions, substantiating transactions by agreeing to supporting documentation, including invoice and bank statements;<br>• Ensuring that revenue has been correctly deferred and recognised over the correct financial period; and<br>• Reviewing post year-end credit notes raised. |
| ***Share-based Payments***<br>Refer to Note 28 in the financial statements | |
| In the current year, share-based payments in the form of performance rights were awarded to employees and key management personnel. In addition, options were converted to shares for various stakeholders during the current year.<br>There is an element of subjectivity in management's assessment around achievement of performance conditions relating to the performance rights. We identified share-based payments as a key audit area due the complexity in the valuation of the options and performance rights issued. | Our audit procedures included, among others:<br>• Reviewing the accounting for the share-based payments in accordance with AASB 2 Share-based Payments;<br>• Reviewing the minutes of directors' meetings for the approvals in relation to the granting of the instruments;<br>• Reviewing the reasonableness of management's estimates of the likelihood of the achievement of performance conditions for the performance rights issued;<br>• Our corporate finance team reviewing management's calculations and assessing appropriateness of inputs/assumptions and valuation method used; and<br>• Ensuring adequacy of financial statement disclosures as required under AASB 2. |

## Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2022, but does not include the financial report and the 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, 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 the 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 ability of the Group 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 the 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 this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

**Report on the Remuneration Report**

*Opinion on the Remuneration Report*

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2022.

In our opinion, the Remuneration Report of Dropsuite Limited, for the year ended 31 December 2022, complies with section *300A* of the *Corporations Act 2001.*

*Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

RSM

**RSM AUSTRALIA PARTNERS**

**M PARAMESWARAN**
Partner

Dated: 28 February 2023
Melbourne, Victoria

**Dropsuite Limited**
**Shareholder information**
**31 December 2022**

The shareholder information set out below was applicable as at 15 February 2023.

**Distribution of equitable securities (as at 15 February 2023)**
Analysis of number of equitable security holders by size of holding:

| | Ordinary shares | |
|---|---|---|
| | Number of holders | % of total shares issued |
| 1 to 1,000 | 235 | .01 |
| 1,001 to 5,000 | 248 | .12 |
| 5,001 to 10,000 | 172 | .20 |
| 10,001 to 100,000 | 573 | 3.30 |
| 100,001 and over | 290 | 96.37 |
| | 1518 | 100.00 |
| Holding less than a marketable parcel | 262 | 0.01 |

**Equity security holders (as at 15 February 2023)**

*Twenty largest quoted equity security holders*
The names of the twenty largest security holders of quoted equity securities are listed below:

| | Ordinary shares | |
|---|---|---|
| | Number held | % of total shares issued |
| BNP Paribas Nominees Pty Ltd | 227,838,865 | 33.03 |
| HSBC Custody Nominees (Australia) Limited | 82,159,811 | 11.91 |
| Mrs Tracy Anne Fearon | 37,415,184 | 5.42 |
| Mr Charif Elansari | 33,685,439 | 4.88 |
| Citicorp Nominees Pty Limited | 21,404,429 | 3.10 |
| National Nominees Limited | 18,042,356 | 2.62 |
| BNP Paribas Noms Pty Ltd | 16,387,903 | 2.38 |
| Mr Ridley Mclean Ruth Jr | 15,294,468 | 2.22 |
| Theodore James Hnarakis | 11,752,311 | 1.70 |
| Mr Phillip Anthony Carlton & Ms Aline Jane Pacheco | 9,761,589 | 1.41 |
| Mr Ronald Thomas Hart Jr | 9,494,667 | 1.38 |
| Mr Hilal Talal Halawi | 8,364,239 | 1.21 |
| Vincenzo Ciummo | 5,433,797 | 0.79 |
| Glory Wealth Group Ltd | 5,149,473 | 0.75 |
| Content and Systems Pte Ltd | 4,627,377 | 0.67 |
| Ms Kylie Lynette Nuske & Mr Matthew James Cook | 3,876,445 | 0.56 |
| Adrosaga Partners (asia) Pte Ltd | 3,571,429 | 0.52 |
| Round Eternal investments Pty Ltd | 3,500,000 | 0.51 |
| Home Loans Pronto Pty Limited | 3,100,000 | 0.45 |
| Udit Berlia | 2,990,689 | 0.43 |
| | 523,850,471 | 75.93% |

*Unquoted equity securities*
**Performance Rights on issue (as at 15 February 2023)**

| Class | Expiry date | Number of shares |
|---|---|---|
| Performance Rights 2020 | 31 August 2024 | 3,353,333 |
| Performance Rights 2022 | 31 March 2025 | 11,386,667 |
| | | 14,740,000 |

**Substantial holders (as at 15 February 2023 and to the best of the Company's knowledge)**
Substantial holders in the company are set out below:

| | Ordinary shares | |
|---|---|---|
| | Number held | % of total shares issued |
| Topline Capital Partners LP | 180,311,968 | 26.14 |
| Tracy Anne Fearon | 37,415,184 | 5.42 |

**Voting rights**
The voting rights attached to ordinary shares are set out below:

*Ordinary shares*
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

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.

There is no on-market buy-back by the Company currently.

**Enquiries**

Shareholders with any enquiries about any aspect of their shareholding should contact the Consolidated Entity's share register as follows:
Automic Pty Ltd
Telephone: +61 2 9698 5414
Website: www.automic.com.au

## Electronic Announcements and Report

Shareholders who wish to receive announcements made to the ASX, as well as electronic copies of the Annual Report and Half Yearly Report, are invited to provide their email 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 Issuer Sponsored should advice 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 Broker 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 by 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 and online 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
Website: www.dropsuite.com
Company Secretary: Kobe Lizheng