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2021

Annual Report

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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.



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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

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

AUDITOR

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

STOCK EXCHANGE LISTING

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

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Chairman's Letter

Dear Shareholders,

On behalf of the Board of Directors of Dropsuite Limited, I am pleased to present the 2021 Annual Report to our shareholders and broader stakeholders.

The 2021 financial year has demonstrated the resilience of Dropsuite's business model and our strong reputation the Company has developed within the industry. Dropsuite was once again recognised by InfoTech Software Reviews, reflecting our leading position as a trusted brand for our partners.

Our Company has continued to expand our breadth over the year. Dropsuite is now a multi-product, multi-channel and multi-segment Company. We have now established the partner of choice for all email and productivity backup requirements across any platform, geography, customer segment or vertical.

The Company delivered strong growth across all key metrics and delivered on our strategy of delivering a positive cash flow outcome. Over the financial year we grew our Annualised Recurring Revenue by 80% to \$15.2 million, increased ARPU, delivered positive cashflow and recorded a breakeven EBITDA and Underlying EBTIDA of \$0.40m. These results demonstrate not only the execution against our milestones outlined to the

market for 2021, but more importantly highlight the leverage and the scalability of our business. Our financial performance across the year further reiterates the robustness of our strategy and the commitment of management to set ambitious but achievable milestones for the business.

In addition to the strong results from our ongoing execution against our strategy we are also cognisant of the macro-thematic drivers that continue to impact our business. Growing requirements for our partner base to manage and defend against the increasing scale and complexity of cybercrime along with the accelerating adoption of cloud-based technology, positions Dropsuite well to continue to drive partner growth in the foreseeable future.

During the year the Company made the strategic decision to raise capital to strengthen its capital position to fund potential acquisition opportunities and drive further investment in product innovation and improvements. The successful A\$20 million placement completed in August 2021 was well supported by new and existing Australian institutional investors. The strategic decision to raise capital at the time also ensured the Company will remain resilient against any economic shifts and

provides adequate capital to for us to execute upon our next phase of growth.

The board and management team continue to be active in assessing acquisition targets and we remain committed to deploying the capital prudently and in line with our investment criteria outlined to the market with a focus on accretive and complimentary acquisitions.

I would like to thank the management team at Dropsuite and in particular

Yours Sincerely,



Theo Hnarakis
Chairman

our CEO and Managing Director, Charif Elansari, for his strong leadership and commitment to strategy. I would also like to recognise the incredible commitment of the broader leadership team on their execution and contribution to the ongoing success of Dropsuite. Finally, on behalf of the board, I would like to thank our customers, and our shareholders for the support over the past year.

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Highlights



ANNUAL RECURRING REVENUE(ARR)

\$15.2m

up 80% on PCP (Actual)
up 70% on PCP (Constant Currency)

RESELLER PARTNERS

409

up 29% on PCP

OPERATING CASH FLOW (OCF)

\$0.26m

up \$2.06m on PCP

END USERS

649k

up 51% on PCP

AVERAGE REVENUE PER USER (ARPU)

\$1.64/mo

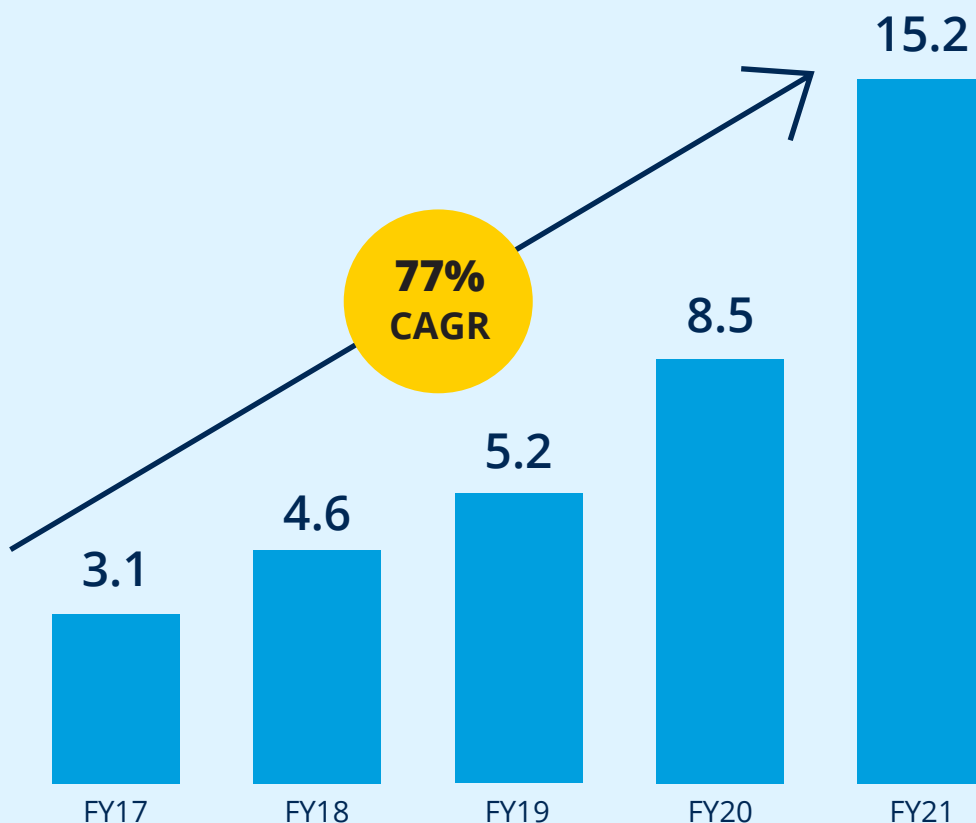
up 19% on PCP (Actual)
up 13% on PCP (Constant Currency)

PARTNER REVENUE CHURN

< 3%

stable with PCP

ANNUAL RECURRING REVENUE (\$M)



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Managing Director's Report

Dear Fellow Shareholders,

2021 was an outstanding year for Dropsuite and one that has again proven the strength, scalability and sustainable growth of our business. I am pleased to report another year of record revenue growth and equally importantly, a year where we delivered both positive EBITDA and positive operational cash flow. 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 years.

Dropsuite is in an exceptional position to continue to drive growth and achieve our strategic objectives. Our robust balance sheet, positive operating cash flow and importantly our industry-leading multi-product, multi-channel and multi-segment product offering will ensure we continue to capture market share in the rapidly growing cloud data backup and archiving market.

Record Financial Results with Positive Cashflow

Our financial performance over 2021 reflects the strength of our underlying business and the strategies that the Company has put in place and successfully executed. I am pleased to have started 2022 with Annualised Recurring Revenue (ARR) of \$15.2 million,

up 80% year on year. Our rapidly growing ARR provides an indication of the increased scale of our Software-as-a-Service (SaaS) business which in turn provides a platform for our future growth initiatives.

The growing ARR was achieved against the backdrop of a very low partner revenue churn rate of less than 3%, well below the industry average. For a SaaS provider, low churn coupled with a strong net promoter score is a reflection that our technologies and solutions are delivering value for our clients. Additionally, we grew our Average Revenue Per User (ARPU) to \$1.95 per month, up 19% over 2020 levels as we continued to increase the mix of our higher featured/ARPU offerings to our client base.

Importantly, we successfully executed against our stated goal of delivering positive EBITDA and positive operating cash flow in 2021. The positive cash flow performance is important as it indicates that we are investing prudently in the business and delivering on strong and profitable growth.

During the year we executed a strongly supported an A\$20 million equity raise, which at the end of the year ensured our balance sheet is in a healthy position,

with a net cash position of \$21.6 million. I would again like to thank all our existing and new shareholders who supported the placement. We took the steps to bolster our balance sheet to allow us to accelerate our organic growth and to allow us to move quickly in the pursuit of non-organic acquisition opportunities.

Growth Strategy

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.
- Diversified revenue base and fast path to operational leverage.

Our global reseller partner network continues to grow: driven by structural demand within the global data backup and recovery market and the strong position and product recognition of Dropsuite within that channel. Our network of reseller partners is now over 409, up 29% over the past 12 months, not counting the many hundreds of Managed Service Provider (MSP) sub-resellers transacting via our cloud distribution partners.

The global data backup and recovery market continues to grow, driven by a combination of cloud migration, growing

data privacy regulation and increased awareness of cyber and ransomware threats. The market forecast anticipates growth at a compound annual growth rate of 24% in the next few years. Furthermore, over 500 million Microsoft 365 and Google Workspace users are anticipated by 2026, providing Dropsuite with a significant addressable market to penetrate.

The global data backup and recovery market continues to grow driven by a combination of cloud migration, growing data privacy regulation and increased awareness of cyber and ransomware threats. The market is forecast to continue to grow at a compound annual growth rate of 24% in the next few years. Furthermore, there are anticipated to be over 500 million Microsoft 365 and Google Workspace users by 2026 providing Dropsuite with a significant addressable market to penetrate.

As we have done over the past 6 years, we will continue to execute on our growth strategy of organic growth. However, we are also now proactively seeking out value-enhancing accretive acquisitions.

Our organic growth will continue to focus on key elements including:

- Continued development of our single vendor strategy that allows us to be a multi-product, multi-channel and multi-segment company.

- Our relentless focus on delivering the best user experience for our users and our partners.
- Investing in perfecting the integration of our products into our partners' infrastructure and making the provisioning, billing and support for our products as seamless as possible for partners and users alike.
- Investments in partner-facing functions such as sales and marketing to ensure partner success and further expansion of our partner-base.
- An organic new product introduction that would be sold to our ever-growing and satisfied channel partners, especially Managed Service Providers.
- Exceptional customer service driven by our passionate, resilient and highly responsive team.

As mentioned, we raised over A\$20 million during the year to provide capital to invest in growth. Our intention is to deploy this capital on high conviction acquisitions that will accelerate our growth and expand our global footprint. Any potential acquisition will focus on increasing our scope and services rather than simply driving scale for our existing business. We will be diligent in our approach to acquisitions and ensure that any transaction is accretive and complementary to our existing business and corporate culture.

Product Development

Dropsuite remains our partners' choice for all email and productivity backup requirements across any platform, geography, customer segment or vertical. In addition to numerous feature and product enhancements throughout the year, we:

- Introduced a brand-new partner portal to accommodate the exponential growth in our partner and sub-reseller count, now supporting 650,000 business users.
- Received SOC2-2 certification - most comprehensive certification within the Systems and Organization Controls protocol from the American Institute of CPAs (AICPA), used for assessing controls relevant to security, availability, processing integrity, confidentiality, and privacy.
- Completed full Google Workspace backup and archiving offering to solidify our single vendor story for all email platforms.
- Added a Virginia, USA, Government data center to enable any vendor working with the US Federal Government to use Dropsuite backup products.
- Completed Microsoft Team backup to capture all Teams' conversations as an optional feature for our partners and customers.

With this solid execution we continue to enhance our advantage in the market and can distil this down to four key elements of the Dropsuite Advantage:

- **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.
- **Highly Responsive Team:** Expert training, marketing and technical support delivered by an agile and passionate team.

Our focus on product innovation has resulted in Dropsuite being recognized as the Microsoft O365 Backup Leader by InfoTech Software Reviews for the second year in a row. The recognition reflects our leading position as a trusted platform and brand for our partners and customers.

Data protection in the cloud

Dropsuite's mission is to safeguard business information by building the industry's most secure, scalable and

useable cloud backup technologies. Our partners and users can access useful and actionable insights for their business with comprehensive tools to comply with ever-growing data privacy protection regulations.

In a world that is ever more reliant on digital information and communications, our mission has never been more prescient and remains unchanged. And we expect that the business of data protection to only grow in prominence in the years to come driven by several macro factors.

The acceleration in the move to the cloud by organisations of all sizes necessitates a modern breed of data protection vendors, with Gartner expecting 60% of workloads to move to the cloud by 2025.

These factors, among others, are expected to take the cloud backup industry to USD \$22 billion by 2025, growing at over 24% annually. Dropsuite expects to continue to benefit significantly from this structural growth.

People and Culture

The continued success of Dropsuite is built upon a strong and talented team. Our highly engaged, diverse and dedicated team puts our partners and users first. They ensure that we can launch our product anywhere on a few days' notice, and rapidly respond to any

of our 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 2021 were again positive: highlighting an engaged team with an open and high-performance culture. We won't rest on the status-quo with our team, and Dropsuite will continue to evolve and respond to our team's feedback to ensure we adapt our culture to deliver the best working environment and ultimately, the best customer experience for our partners. We will continue to invest in our people and ensure that Dropsuite continues to attract and retain the best talent in the industry.

Outlook

Dropsuite is positioned to continue to deliver strong annual recurring revenue driven by our significant existing partner base and a solid pipeline of new partners.

Sincerely,



Charif Elansari
Managing Director

Over 2022 the company will focus on:

- Delivering continued ARR growth via our existing partner ecosystem and strong sales pipeline.
- Driving product innovation to maintain our market-leading position as a backup vendor of choice.
- Continue to drive new growth opportunities in the structurally growing market (cyber security, cloud & regulation) while pursuing potential accretive acquisitions.
- Continued reinvestment in our team skillsets, talent pool and leadership strength as we maintain profitability and cash break-even in FY22.

In closing, I would like to extend my gratitude to our stakeholders: our partners and customers, shareholders, board and employees for their continued support over the year.

Directors' Report

Your directors submit the financial report of Dropsuite Limited ('Company') and its controlled entities ('Group' or 'Dropsuite') for the year ended 31 December 2021.

Directors:

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

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

Principal Activity:

Dropsuite's mission is to safeguard business information, simply help businesses stay in business by protecting some of their most critical data with best-in-class backup and recovery solutions.

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

Dropsuite's engineering team has developed the backup technology on a state-of-the-art software architecture that is both modular and scalable and can be deployed on public and private cloud environments located anywhere in the world. Dropsuite's software platform has been built for successful horizontal scaling and has demonstrated strong ability to scale to hundreds of thousands of users and to tens of billions of data objects worldwide.

Dropsuite's current products include:

Dropsuite Website Backup:

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

Dropsuite Email Backup and Archiving:

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

Dropsuite for Microsoft 365:

- Backup and archiving solution for Microsoft's fast-growing Office 365 suite of products, including email, SharePoint, One Drive, Groups and Teams. The world's most used business email platform. The solution simplifies provisioning and managing email backup and archiving. The user interface provides anywhere access to view, search, migrate, download and restore emails and file attachments

Dropsuite for Google Workplace (formerly G Suite)

- Backup and archiving solution for Google Workplace including email and Google Drive. The solution simplifies provisioning and managing email backup and archiving. The user interface provides anywhere access to view, search, migrate, download and restore emails and file attachments

Reseller Provisioning Platform:

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

Operating Results:

The financial results for the year

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

The operating loss after income tax of the consolidated group for the year ended 31 December 2021 was \$31,233 and the prior year loss after tax \$2,147,357.

Review of Operations

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

Dropsuite's service is already deployed to users globally, in multiple languages and 14 public and private cloud data centres spread around the world.

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

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

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

Dropsuite Website Backup

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

For the year ended 31 December 2021

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

Features include:

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

Dropsuite Email Backup and Archiving

Dropsuite Email Backup and Archiving is a cloud-based email backup and archiving solution that helps businesses securely backup, manage, recover and protect all of their email data. This product simplifies securing and managing email continuity for businesses and even consumers. The user interface provides anywhere access to view, search, migrate, download and restore emails and file attachments.

Features include:

- Automated incremental email backup & archiving
- Central point of management through an admin panel
- Download, restore & migrate emails with One Click
- End-to-end 256-bit AES encryption
- Compliance and business continuity tools
- Admin Panel and Multiple User Access Manager
- Viewable from any device / location
- Advanced Search, eDiscovery, and Alert creations
- Insights and Analytics
- Unlimited storage & retention period

Dropsuite for Microsoft 365

Dropsuite for O365 is a complete cloud-based backup and archiving solution that is especially built for Microsoft 365 (M365). It securely backups, manages, recovers, complies and protects all M365 data including One Drive, SharePoint, M365 Groups and Microsoft Teams. The product uniquely provides a single pane of glass, with a management console that provides a unified display of the data associated with the M365 suite of products. Features include:

- Automated incremental email backup & archiving
- Central point of management through an admin panel
- Download, restore & migrate emails with One Click
- End to end 256-bit AES encryption
- Compliance and business continuity tools

- Data Protection Officer tools
- Admin Panel and Multiple User Access Manager
- Viewable from any device / location
- Advanced Search, eDiscovery across O365 suite of products
- Insights and Analytics
- Unlimited storage & retention period
- Single-sign-on and multi-factor authentication

Dropsuite for Google Workplace

Dropsuite for Google Workplace is a cloud-based backup and archiving solution that is especially built for Google Workplace. It securely backups, manages, recovers, complies and protects Workplace data. The product uniquely provides a single pane of glass, with a management console that provides a unified display of the data associated with Workplace. Features include:

- Automated incremental email backup & archiving
- Central point of management through an admin panel
- Download, restore & migrate emails with One Click
- End to end 256-bit AES encryption
- Compliance and business continuity tools
- Data Protection Officer tools
- Admin Panel and Multiple User Access Manager
- Viewable from any device / location
- Advanced Search, eDiscovery
- Insights and Analytics
- Unlimited storage & retention period
- Single-sign-on and multi-factor authentication

Financial position

The net assets of the consolidated group have increased by \$19,253,857 from 31 December 2020 to \$21,899,882 as at 31 December 2021. This increase was largely due to the cash inflow from financing activities.

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

DROPSUITE LIMITED**DIRECTORS' REPORT**

For the year ended 31 December 2021

Capital Structure, Performance Shares and Performance Rights

Capital structure	Number of securities on issue
SHARES	
Shares on issue 1 January 2021	565,015,657
Issue of Shares under the Public Offer (i) (ii)	95,238,096
Performance rights exercised (iii) (iv) (v)	21,614,333
TOTAL SHARES on Issue 31 December 2021	681,868,086

(i) On 23 August 2021, 76,238,096 Fully Paid Ordinary Shares were issued to @ \$0.21.

(ii) On 19 September 2021, 19,000,000 Fully Paid Ordinary Shares issued @ \$0.21.

(iii) On 23 March 2021, 13,433,333 Performance Shares and 1,500,000 performance Rights vested into Fully Paid Ordinary Shares based on various performance and revenue hurdles.

(iv) On 26 August 2021, 4,081,000 Fully Paid Ordinary Shares were issued upon vesting of existing Performance Rights based on various performance and share price hurdles.

(v) On the 8 October 2021, 2,600,000 Fully Paid Ordinary Shares were issued upon vesting of existing Performance Rights to employees not being the CEO, COO or CTO, based on various performance and share price hurdles.

i) **Performance Shares, Long Term Incentives to AAG Management Pty Ltd Expired 23 December 2021**

PERFORMANCE SHARES	
Opening Performance Shares on issue	17,933,333
Performance Shares Exercised (i)	(13,433,333)
Performance Shares Lapsed (ii)	(4,500,000)
TOTAL PERFORMANCE SHARES	0

(i) Performance shares of 13,433,333 shares were exercised during 2021.

(ii) 4,500,000 performance shares with the expiry date 23 December 2021 lapsed, as announced to the ASX on 11 February 2022.

DROPSUITE LIMITED**DIRECTORS' REPORT****For the year ended 31 December 2021**

ii) Performance Rights, Long Term Incentives to Employees Expiring December 2021

PERFORMANCE RIGHTS	
Opening Performance Rights on issue	1,500,000
Performance Rights Exercised (i)	(1,500,000)
TOTAL PERFORMANCE RIGHTS	0

(i) Performance rights of 1,500,000 shares were exercised during 2021.

iii) Performance Rights, Long Term Incentives to Employees Expiring 7 July 2023

PERFORMANCE RIGHTS	
Opening Performance Rights on issue	9,060,000
Performance Rights Exercised (i)	(4,081,000)
Performance Rights Lapsed (ii)	(147,000)
TOTAL PERFORMANCE RIGHTS	4,832,000

(i) Performance rights of 4,081,000 shares were exercised during 2021.

(ii) 147,000 performance rights lapsed in 2021.

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

4,832,000 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 \$0.18 for a minimum of a thirty (30) day period provided that the employee be employed for a period of 36 months (until 1 July 2022) from the date of the grant.

iv) Performance Rights, Long Term Incentives to Employees Expiring 31/08/2024

PERFORMANCE RIGHTS	
Opening Performance Rights on issue	10,470,000
Performance Rights exercised (i)	(2,600,000)
17,500 Performance rights have lapsed) (ii)	(70,000)
TOTAL PERFORMANCE RIGHTS	7,800,000

(i) Performance rights of 2,600,000 shares were exercised during 2021.

(ii) 70,000 performance rights lapsed as announced to the ASX on 11 October 2021.

DROPSUITE LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2021

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:

3,664,500 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 \$0.18 for a minimum of a thirty (30) day period provided that the employee be employed for a period of 24 months (until 31 August 2022) from the date of the grant

4,188,000 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 \$0.22 for a minimum of a thirty (30) day period provided that the employee be employed for a period of 36 months (until 31 August 2023) from the date of the grant

Significant changes in the state of Affairs

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

Litigation:

Nil

Events after the Reporting Date:

Subsequent to 31 December 2021:

On 11 February 2022, the company announced 4,500,000 performance shares with the expiry date 23 December 2021 had lapsed.

Dividends:

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

Environment Issues:

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

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

Information on directors:

Mr Theo Hnarakis

Qualifications:

Experience

Non - Executive Chairman (appointed 20 December 2016)

B. Accounting

Theo Hnarakis brings a wealth of experience working in the media industry and scaling Australian ASX listed technology businesses. He graduated from the University of South Australia and held senior roles with News Corporation, Boral Group, the PMP Communications group and was the

DROPSUITE LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2021

	<p>Managing Director and CEO of Melbourne IT until 2013. He has also held director roles with Neulevel, a JV with US based listed company, Neustar and with Advantate, a JV with Fairfax Media.</p>
Interests in shares and Options	11,752,311 ordinary shares
Other current directorships	Farmgate MSU Pty Ltd
Other former directorships in the last three years	Tapp Money, Crowd Mobile Limited
<u>Mr Charif El Ansari</u>	Managing Director and Chief Executive Officer (appointed 20 December 2016)
Experience	<p>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.</p> <p>He has a B.A. from the American University of Beirut and an MBA from Vanderbilt University (USA).</p>
Interests in shares and Options	33,335,439 ordinary shares and 750,000 performance rights
Other current directorships	None
<u>Dr Bruce Tonkin</u>	Non-Executive Director (appointed 22 February 2017)
Qualifications	B. Electrical and Electronic Engineering (1 st class honours), Ph.D. in Electrical and Electronic Engineering from University of Adelaide.
Experience	<p>Dr Bruce Tonkin is currently Chief Operating Officer for the .au Domain Administration Limited, where he is responsible for operations of the .au (Australia) top level domain name. Prior to that he has been chief technology officer and chief strategy officer at Melbourne IT, where he was responsible for managing the development of the company's strategic and operating plans, strategic initiatives with major customers and suppliers, and managing evaluation of merger and acquisition opportunities. Bruce had been at Melbourne IT from 1999 until April 2017 and has gained more than 15 years of experience taking cloud based services to global markets across the USA, Europe, and Asia</p>

DROPSUITE LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2021

for both SMBs and Enterprises. In that time annual revenue grew from \$15m to a peak of \$200m with offices in 10 countries, before the sale of its international business.

Bruce also served on the Board of ICANN (Internet Corporation of Assigned Names and Numbers) for 9 years. ICANN manages the global domain name and IP addressing system for the Internet.

Other current directorships	None
Other former directorships in the last three years.	None
Interests in shares and Options	1,514,123 ordinary shares

Information on secretary:

Mr Kobe Li Experience

Appointed 31/07/2020

Mr Li currently provides company secretarial and corporate governance advisory services to a number of ASX listed companies. Prior to becoming a professional company secretary, Mr Li 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 and Options

50,000 ordinary shares and 150,000 performance rights

Meetings of Directors:

During the financial year, 18 meetings of directors were held. Attendances were:

Director	Number of meetings attended	Number of eligible meetings to attend
Theo Hnarakis	18	18
Charif El Ansari	18	18
Bruce Tonkin	18	18

Options

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

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

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

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

Remuneration Report (Audited)

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

Principles used to determine the nature and amount of remuneration

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

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

Remuneration Committee

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

Remuneration structure

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

Non-executive director remuneration

Objective

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

Structure

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

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

Each director receives a fee for being a director.

Senior manager and executive director remuneration

Objective

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

Structure

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

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

Further details regarding remuneration of senior managers and executive directors for the 12 months ended 31 December 2021 is detailed in below.

Fixed Remuneration

Objective

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

Variable Remuneration and long-term incentive

Structure

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

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

No KMP received variable remuneration during the 12 months ended 31 December 2021.

There are no other service agreements in place with KMP.

DROPSUITE LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2021

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Charif El Ansari	Managing Director and Chief Executive Officer
Agreement type:	Executive Service Agreement
Agreement commenced:	20 December 2016
Term of agreement:	On-going
Remuneration:	Annual base salary of SGD\$296,640 plus statutory social security, 'at-risk' STI, subject to annual performance review by the Nomination and Remuneration Committee
Termination Notice:	6 months termination notice by either party
Ridley Ruth	Chief Operating Officer
Agreement type:	Executive Service Agreement
Agreement commenced:	1 November 2015
Term of agreement:	On-going
Remuneration:	Annual base salary of US\$175,512 plus statutory social security, 'at-risk' STI, subject to annual performance review by the Nomination and Remuneration Committee.
Termination Notice:	2 months termination notice by either party
Ron Hart	Chief Technology Officer
Agreement type:	Executive Service Agreement
Agreement commenced:	1 January 2017
Term of agreement:	On-going
Remuneration:	Annual base salary of SGD\$222,480 plus statutory social security, 'at-risk' STI, subject to annual performance review by the Nomination and Remuneration Committee
Termination Notice:	3 months termination notice by either party
Bill Kyriacou	Head of Finance
Agreement type:	Consulting Agreement
Agreement commenced:	15 August 2018
Term of agreement:	On-going
Remuneration:	Monthly base service fee of AUD\$8,475, subject to annual performance review by the Nomination and Remuneration Committee.
Termination Notice:	2 months termination notice by either party
Kobe Li	Company Secretary
Agreement type:	Consulting Agreement
Agreement commenced:	31/07/2020
Term of agreement:	On-going
Remuneration:	Monthly base service fee of AUD\$5,000, subject to annual performance review by the Nomination and Remuneration Committee.
Termination Notice:	1 month termination notice by either party

DROPSUITE LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2021

For 12 months ended 31 December 2021

AUD	Year	Cash Salary and fees	Financial KPI	Non-financial KPI	Share based payments	Post-employment benefits	Other	Total
<i>Non-Executive Directors:</i>								
Theo Hnarakis	2021	150,000	-	-	-	15,438	-	165,438
	2020	168,171	-	-	-	14,250	-	182,421
Bruce Tonkin	2021	70,000	-	-	-	7,204	-	77,204
	2020	79,001	-	-	-	6,650	-	85,651
Julian Rockett (company secretary) (i)	2021	-	-	-	-	-	-	-
	2020	34,635	-	-	-	-	-	34,635
Kobe Li (company secretary) (ii)	2021	47,363	-	-	982	-	-	48,345
	2020	17,500	-	-	578	-	-	18,078
<i>Executive Directors:</i>								
Charif El Ansari (Managing Director)	2021	318,538	101,057	-	83,020	1,311	-	503,926
	2020	357,154	-	-	-	1,837	-	358,991
<i>Other Key Management Personnel:</i>								
Ridley Ruth (COO) (iii)	2021	233,832	139,530	54,521	2,456	-	-	430,339
	2020	247,516	133,127	55,045	1,444	-	-	437,132
Ron Hart (CTO)	2021	220,527	42,120	-	2,456	6,675	-	271,778
	2020	227,405	-	-	1,444	3,963	-	232,812
Bill Kyriacou (CFO)	2021	100,725	-	-	4,098	-	-	104,823
	2020	90,000	-	-	13,562	-	-	103,562
Total AUD	2021	1,140,985	282,707	54,521	93,012	30,628	-	1,601,853
	2020	1,221,382	133,127	55,045	17,028	26,700	-	1,453,282

(i) Julian Rockett, company secretary, ceased in July 2020.

(ii) Kobe Li, company secretary reinstated July 2020 (originally contracted between August 2018-November 2018).

(iii) Ridley Ruth who domiciles in the United States, received non-cash benefit of \$54,521 (USD \$40,923) as a payment for his health insurance.

DROPSUITE LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2021

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

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2021	2020	2021	2020	2021	2020
<i>Non-Executive Directors:</i>						
Theo Hnarakis	100%	100%	-	-	-	-
Bruce Tonkin	100%	100%	-	-	-	-
<i>Executive Directors:</i>						
Charif El Ansari	71%	71%	29%	29%	-	-
Kobe Li	100%	100%	-	-	-	-
<i>Other Key Management Personnel:</i>						
Ridley Ruth (COO)	75%	79%	25%	21%	-	-
Ron Hart (CTO)	80%	80%	20%	20%	-	-
Bill Kyriacou (Head of Finance)	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 final month of the financial year by the Nomination and Remuneration Committee.

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

Name	Cash bonus paid/payable		Cash bonus forfeited	
	2021	2020	2021	2020
<i>Non-Executive Directors:</i>				
Theo Hnarakis	-	-	-	-
Bruce Tonkin	-	-	-	-
<i>Executive Directors:</i>				
Charif El Ansari	87%	89%	13%	11%
Kobe Li	-	-	-	-
<i>Other Key Management Personnel:</i>				
Ridley Ruth (COO)	87%	76%	13%	24%
Ron Hart (CTO)	60%	79%	40%	21%
Bill Kyriacou (CFO)	-	-	-	-

DROPSUITE LIMITED**DIRECTORS' REPORT**

For the year ended 31 December 2021

(i) Ordinary Shareholdings

The number of ordinary shares held in Dropsuite Limited by each KMP during the 12 months to 31 December 2021 is as follows:

Name and Position held	Balance 01/01/2021 or at date of appointment	Purchases	Received on exercise of options	Received on vesting and exercise of performance shares or rights	Sale of shares during 2021	Balance 31/12/2021 or date of retirement
Theo Hnarakis (Non-Executive Chair)	11,752,311	-	-	-	-	11,752,311
Charif El Ansari (Managing Director)	29,485,439	-	-	3,850,000	-	33,335,439
Bruce Tonkin Non-Executive Director)	1,514,123	-	-	-	-	1,514,123
Ridley Ruth (COO)	17,594,468	-	-	2,825,000	2,500,000	17,919,468
Ron Hart (CTO)	12,894,667	-	-	3,425,000	4,000,000	12,319,667
Bill Kyriacou (CFO)	719,444	-	-	332,500	-	1,051,944
Kobe Li (Company Secretary)	-	-	-	50,000	-	50,000
Total	73,960,452	-	-	10,482,500	6,500,000	77,940,952

Options

There are no options on issue.

DROPSUITE LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2021

(ii) Performance shares

Name and position held	Balance 01/01/2021	Number of performance shares granted/exercised	Number of performance shares lapsed	Balance at 31/12/2021
Theo Hnarakis (Non-Executive Chair)	-	-	-	-
Charif El Ansari (Managing Director)	3,600,000	3,600,000	-	-
Bruce Tonkin Non-Executive Director)	-	-	-	-
Ridley Ruth (COO)	2,700,000	2,700,000	-	-
Ron Hart (CTO)	3,300,000	3,300,000	-	-
Total	9,600,000	9,600,000	-	-

(iv) Performance rights (long term Incentives to employees)

a. Performance Rights on issue at 31 December 2021 with an expiry date of 1 July 2023 are as follows: (i)

Bill Kyriacou	280,000
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(i) Refer to Note 10 for terms and conditions

	Balance 01/01/2021	Number of performance rights issued	Number of performance rights granted/exercised	Balance at 31/12/2021
Bill Kyriacou (CFO)	525,000	-	245,000	280,000
Total	525,000	-	245,000	280,000

b. Performance Rights on issue at 31 December 2021 with an expiry date of 31 August 2024 held by KMPs are as follows: (i)

Charif El Ansari	750,000
Ridley Ruth	375,000
Ron Hart	375,000
Bill Kyriacou	262,500
Kobe Li	150,000
	1,912,500

DROPSUITE LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2021

(i) Refer to Note 10 for terms and conditions

Name and position held	Balance 01/01/2021	Number of performance rights issued	Number of performance rights granted/exercised	Balance at 31/12/2021
Theo Hnarakis (Non-Executive Chair)	-	-	-	-
Charif El Ansari (Managing Director)	1,000,000	-	250,000	750,000
Bruce Tonkin (Non-Executive Director)	-	-	-	-
Ridley Ruth (COO)	500,000	-	125,000	375,000
Ron Hart (CTO)	500,000	-	125,000	375,000
Bill Kyriacou (CFO)	350,000	-	87,500	262,500
Kobe Li (Company Secretary)	200,000	-	50,000	150,000
Total	2,550,000	-	637,500	1,912,500

Other Equity – related KMP transactions

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

Other Transactions with KMP and / or their Related Parties

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

Remuneration Consultants

The Company did not engage any remuneration consultants during the 12 months ended 31 December 2021.

Voting and comments made at the Company's 2020 Annual General Meeting ("AGM")

At the 2020 AGM, held 26 May 2021, the voters supported the adoption of the remuneration report for the year ended 31 December 2020. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

End of Remuneration Report (Audited)

Indemnities and insurance officers

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

DROPSUITE LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2021

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

Indemnity and insurance of auditor

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

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

Proceedings on behalf of the Company

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

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

Non-Audit Services

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

Auditor's Declaration:

The auditor's independence declaration under s 307C of the *Corporations Act 2001* is set out on page 45 for the year ended 31 December 2021.

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



Theo Hnarakis
Non-Executive Chairman
Date: 28 February 2022

ELDERTON

AUDIT PTY LTD

Auditor's Independence Declaration

As auditor for the audit of Dropsuite Limited for the year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been:

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

Elderton Audit Pty Ltd

Elderton Audit Pty Ltd



Rafay Nabeel
Audit Director

28 February 2022
Perth

Consolidated Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 31 December 2021

	CONSOLIDATED	
	2021	2020
	\$	\$
Income		
Sales revenue	4(a) 11,689,079	7,030,397
Other income	4(a) 13,726	77,542
Interest Income	4(a) 3,736	15,163
Total Income	<u>11,706,541</u>	<u>7,123,102</u>
Expenses		
Hosting fees	4,158,360	2,459,167
Marketing and conference expenses	626,577	357,681
Professional fees	4(b) 256,591	257,556
Technology expense	342,405	269,104
Employee and director expenses	4(b) 4,953,087	4,458,857
Depreciation expense	37,478	53,294
Amortisation expense	8 0	454,924
Office expenses	4(b) 385,091	236,812
Other operating expenses	4(b) 455,715	338,251
Share based payment expenses	10(b) 170,580	236,833
Due diligence expenses	212,065	-
Other expenses	4(b) 139,824	147,980
Loss from continuing operations	<u>(31,233)</u>	<u>(2,147,357)</u>
Income tax expense	12 -	-
Loss after income tax for the year	<u>(31,233)</u>	<u>(2,147,357)</u>
Other comprehensive income		
<i>Items that may be reclassified to profit and loss</i>		
Exchange differences in translating foreign operations	90,511	(150,610)
Total other comprehensive income / (loss)	<u>90,511</u>	<u>(150,610)</u>
Total comprehensive income / (loss) for the year	<u>59,279</u>	<u>(2,297,967)</u>
Basic earnings/(loss) per share	5 0.01	(0.39)
Diluted earnings/(loss) per share	5 (0.00)	(0.36)

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

Consolidated Statement of Financial Position
As at 31 December 2021

	Note	CONSOLIDATED	
		2021	2020
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	21,604,331	2,482,045
Trade and other receivables	7	2,158,638	1,399,407
Other assets		244,766	135,085
Total current assets		24,007,735	4,016,537
NON-CURRENT ASSETS			
Property, plant and equipment		46,849	21,272
Intangible Assets	8	0	0
Investments		7,469	3,841
Other		50,343	50,343
Total non-current assets		104,661	75,456
Total assets		24,112,396	4,091,993
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	9	2,026,833	1,297,197
Deferred income		135,338	98,428
Total current liabilities		2,162,171	1,395,626
NON-CURRENT LIABILITIES			
Other		50,343	50,343
Total non-current liabilities		50,343	50,343
Total liabilities		2,212,514	1,445,969
Net assets		21,899,882	2,646,024
EQUITY			
Contributed equity	10	43,416,233	24,250,583
Reserves	10	107,260	(12,181)
Accumulated losses	11	(21,623,611)	(21,592,378)
Total equity		21,899,882	2,646,024

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

**Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2021**

2021 CONSOLIDATED	Issued capital	Foreign exchange reserve	Share Based Payments Reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$
Balance at 1 January 2021	24,250,583	(60,434)	48,253	(21,592,378)	2,646,024
Comprehensive income					
Loss after income tax expense for the year	-	-	-	(31,233)	(31,233)
Other comprehensive income for the year, net of tax	-	90,511	-	-	90,511
Total comprehensive loss for the year	-	90,511	-	(31,233)	59,278
Transactions with owners in their capacity as owners:					
Issue of share capital	19,024,000	-	-	-	19,024,000
Share Based Premium Reserve (Note 10)	-	-	170,580	-	170,580
Performance Rights Exercised (Note 10)	141,650	-	(141,650)	-	-
Total transactions with owners and other transfers	19,165,650	-	28,930	-	19,194,580
Balance at 31 December 2021	43,416,233	30,077	77,183	(21,623,611)	21,899,882

**Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2020**

2020 CONSOLIDATED	Issued capital	Foreign exchange reserve	Share Based Payments Reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$
Balance at 1 January 2020	21,138,601	90,176	14,062	(19,445,020)	1,797,820
Comprehensive income					
Loss after income tax expense for the year	-	-	-	(2,147,357)	(2,147,357)
Other comprehensive income for the year, net of tax	-	(150,610)		-	(150,610)
Total comprehensive loss for the year	-	(150,610)		(2,147,357)	(2,297,967)
Transactions with owners in their capacity as owners:					
Issue of share capital	2,909,340	-		-	2,909,340
Share Based Premium Reserve (Note 10e)	-	-	236,833		236,833
Performance Rights Exercised (Note 10b)	202,642		(202,642)		-
Total transactions with owners and other transfers	3,111,982	-	34,191		3,146,173
Balance at 31 December 2020	24,250,583	(60,434)	48,253	(21,592,378)	2,646,024

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

Consolidated Statement of Cash Flows
For the Year Ended 31 December 2021

	Note	CONSOLIDATED	
		2021	2020
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from sales		10,962,754	6,089,442
Payments to suppliers and employees		(10,708,399)	(7,902,606)
Interest paid		-	-
Interest received		4,459	15,947
Net cash from / (used) in operating activities	6	258,814	(1,797,218)
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(62,929)	(30,008)
Cash acquired on acquisition of Dropsuite		-	-
Loans to related parties		-	-
Payment for development costs		-	-
Net cash provided from / (used) in investing activities		(62,929)	(30,008)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from capital raising		18,926,400	2,885,267
Proceeds from borrowings		-	-
Payment of borrowings		-	-
Net cash provided by financing activities		18,926,400	2,885,267
Net increase (decrease) in cash and cash equivalents held		19,122,286	1,058,041
Cash and cash equivalents at the beginning of the financial year		2,482,045	1,424,004
Cash and cash equivalents at the end of the financial year	6	21,604,331	2,482,045

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

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

These consolidated financial statements and notes represent those of Dropsuite Limited (or “the Company”) and Controlled Entities (“the Consolidated group” or “Group”). Dropsuite Limited is a public listed company, incorporated and domiciled in Australia. These consolidated financial statements were authorised for issue on 28 February 2022.

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

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

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

New or amended Accounting Standards and Interpretations adopted

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

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

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

Conceptual Framework for Financial Reporting (Conceptual Framework)

The consolidated entity has adopted the revised Conceptual Framework from 1 January 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the consolidated entity's financial statements.

(a) Going concern

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

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

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

DROPSUITE LIMITED**Basis of preparation**

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

The financial report has been presented in Australian Dollars.

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

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

(b) Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 2.

(c) Principles of Consolidation

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

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

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

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

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

DROPSUITE LIMITED

statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

(d) Business combinations

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

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

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

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

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

DROPSUITE LIMITED**(e) Revenue recognition****(1) Revenue****Recognition and Measurement**

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

Performance obligations and timing of revenue recognition

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

The Group's business model involves the provision of digital back up services for data, email and websites to end-users via distributors. Group does not deal directly with the end-users and bills its distributors on a monthly usage basis consistent with the individual performance obligations.

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.

(2) Other income

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

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

(f) Current and non-current classification

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

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

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

(g) Cash and cash equivalents

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

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

(h) Operating segments

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

(i) Income tax

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

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

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

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the

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timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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

(j) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case, it is recognised as part of the cost of acquisition of the asset or as part of the expense.

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

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

(k) 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.

(l) Property, plant and equipment

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

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

Derecognition

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

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

DROPSUITE LIMITED**(m) Intangible assets**

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

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

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

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

(n) Research and development costs

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

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

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

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

	Development costs
Useful life	Finite (3 years)
Amortisation method	Amortised on a straight – line basis over the period of expected future sales from the related project

(o) Investments and other financial assets

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

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

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

Classification and subsequent measurement*Financial assets*

Financial assets are subsequently measured at:

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

On the basis of the two primary criteria:

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

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

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

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

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

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

Financial liabilities

Financial liabilities are subsequently measured at:

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

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

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

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

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

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

A financial liability is held for trading if it is:

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

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

DROPSUITE LIMITED*Ordinary shares*

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

Derecognition

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

Derecognition of financial liabilities

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

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

Derecognition of financial assets

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

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

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

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

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

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

Impairment of financial assets

An impairment loss is recognised for the expected credit losses on financial assets when there is an increased probability that the counterparty will be unable to settle an instrument's contractual cash flows

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on the contractual due dates, a reduction in the amounts expected to be recovered, or both. The probability of default and expected amounts recoverable are assessed using reasonable and supportable past and forward-looking information that is available without undue cost or effort. The expected credit loss is a probability-weighted amount determined from a range of outcomes and takes into account the time value of money.

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

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

(p) Trade and other payables

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

(q) Share based payments

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

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. For performance rights, the fair value is determined by using the Monte Carlo valuation model.

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

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

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

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total

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fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

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

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

(r) Contributed equity

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

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

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

(ii) Diluted earnings per share

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

(t) 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.

(u) New accounting standards for application in future periods

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

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

(v) 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

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the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

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. These assumptions include recent sales experience, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed in note 12, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

Taxation

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

(w) Employee benefits**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 either the Binomial or Black-Scholes 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 67 for further information.

Short-term employee benefits

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

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

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage

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and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any re-measurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

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

Defined contribution superannuation benefits

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

Termination benefits

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

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

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

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

(x) Provisions

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

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

(y) Comparative figures

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

Where the Group retrospectively applies an accounting policy, makes a retrospective restatement or reclassifies items in its financial statements, an additional (third) statement of financial position as at the

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beginning of the preceding period in addition to the minimum comparative financial statements is presented.

NOTE 2: PARENT ENTITY INFORMATION

	2021	2020
	\$	\$
Information relating to Dropsuite Limited (the legal parent entity):		
Current assets	20,110,477	1,960,907
Fixed Assets	-	-
Non-current assets	6,684,061	6,747,277
Total assets	26,794,538	8,708,184
Current liabilities	316,836	87,524
Non-Current Liabilities	50,343	50,343
Total liabilities	367,179	137,867
Issued capital	44,756,306	24,412,013
Accumulated losses	(17,503,533)	(16,165,995)
Reserves	(2,190,934)	(65,220)
Costs of capital	1,365,520	389,520
Total shareholders' equity	26,427,359	8,570,317
Loss of the parent entity	1,337,538	1,438,141
Total comprehensive loss of the parent entity	1,337,538	1,438,141

The parent company has not entered into any guarantees, has no significant contingent liabilities, or contractual commitments for the acquisition of property, plant or equipment as at 31 December 2021.

NOTE 3: SEGMENT REPORTING

Based on the information used for internal reporting purposes by the chief operating decision maker (being the Board), the Group operated in one reportable segment during the year ended 31 December 2021, being the provision of backup services.

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

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

4(a) Revenue from continuing operations	CONSOLIDATED	
	2021	2020
	\$	\$
Sales income	11,689,079	7,030,397
Other Income	13,726	77,542
Interest income	3,736	15,163
Total Income	11,706,541	7,123,102
4(b) Expenses		
Professional fees		
Accounting, audit and taxation expenses	246,791	240,048
Legal expenses	9,800	17,508
Total professional fees	256,591	257,556
(ii) Employee and director expenses		
Wages, salaries and superannuation	4,417,602	3,901,922
Directors	535,485	556,935
Total employee benefits expense	4,953,087	4,458,857
(iii) Office expenses		
Impairment expense	-	3,310
Office rental expenses	74,971	72,320
Bank fees	44,741	37,634
Office services	260,070	122,004
Other office expenses	5,309	1,544
Total Office expenses	385,091	236,812
(iv) Other operating expenses		
Foreign Currency Gains and Losses	45,410	29,906
Withholding Tax	182,011	175,966
Corporate advisory & listing fees	228,294	132,379
Total operating expenses	455,715	338,251
(v) Other expenses		
Bad debt expense	2,594	23,740
Interest	581	1,646
Transportation and travelling expenses	43,786	48,836
Insurance expense	92,863	73,758
Total other expenses	139,824	147,980

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

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

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

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

	CONSOLIDATED	
	2021	2020
	\$	\$
Net profit (loss) after income tax benefit attributable to members	(31,233)	(2,147,357)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS and diluted EPS	612,020,109	551,716,072
Earnings per share (cents)	(0.01)	(0.39)
Diluted earnings per share (cents)	(0.00)	(0.36)

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

NOTE 6: CASH AND CASH EQUIVALENTS

- **Reconciliation of cash**

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

	CONSOLIDATED	
	2021	2020
	\$	\$
Cash at bank	21,604,331	2,482,045

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

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

	CONSOLIDATED	
	2021	2020
	\$	\$
Profit / (loss) after income tax	(31,233)	(2,147,357)
Add back non-cash items		
Impairment expense	-	(3,310)
Amortisation and depreciation expense	37,478	508,218
Foreign exchange	90,511	(150,610)
Movements in assets and liabilities relating to operating activities		
(Increase) / decrease in trade and other receivables	(759,230)	(601,558)
(Increase) / decrease in other current assets	(109,682)	(58,448)
(Increase) / decrease in investments	(3,628)	1,176
(Increase) / decrease in other non-current assets	-	10,546
Increase / (decrease) in trade and other payables	956,110	70,496
Increase / (decrease) in wages payables	12,650	288,360
Increase / (decrease) in deferred income	36,909	34,374
Increase / (decrease) in equity	28,929	250,895
Cash flow from / (used in) operating activities	<u>258,814</u>	<u>(1,797,218)</u>

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

NOTE 7: TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	2021	2020
	\$	\$
Trade and other receivables	<u>2,158,638</u>	<u>1,399,407</u>
	<u>2,158,638</u>	<u>1,399,407</u>

All receivables are current and not impaired.

NOTE 8: INTANGIBLE ASSETS

	CONSOLIDATED	
	2021	2020
	\$	\$
Capitalised software development costs:		
Cost	2,268,968	2,268,968
Accumulated amortisation	<u>(2,268,968)</u>	<u>(2,268,968)</u>
	<u>-</u>	<u>-</u>

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DROPSUITE LIMITED**NOTE 9: TRADE AND OTHER PAYABLES**

	CONSOLIDATED	
	2021	2020
	\$	\$
Trade creditors	853,849	396,404
Other payables and accruals	580,733	321,191
Wages payable	592,251	579,602
	2,026,833	1,297,197

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

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

	CONSOLIDATED	
	2021	2020
	\$	\$
Ordinary shares	43,416,233	24,250,583

(b) Movements in ordinary shares on issue

Share on issue 1 January 2020	493,680,533	21,138,601
Shares issued for cash	68,327,624	2,909,340
Performance rights exercised	3,007,500	202,642
TOTAL SHARES ON ISSUE 31 DECEMBER 2020	565,015,657	24,250,583

Share on issue 1 January 2021	565,015,657	24,250,583
Shares issued for cash (i) (ii)	95,238,096	19,024,000
Performance rights exercised (iii) (iv) (v)	21,614,333	141,650
TOTAL SHARES ON ISSUE 31 DECEMBER 2021	681,868,086	43,416,233

(i) On 23 August 2021, 76,238,096 Fully Paid Ordinary Shares were issued to @ \$0.21.

(ii) On 19 September 2021, 19,000,000 Fully Paid Ordinary Shares issued @ \$0.21.

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- (iii) On 23 March 2021, 13,433,333 Performance Shares and 1,500,000 Performance Rights vested into Fully Paid Ordinary Shares based on various performance and revenue hurdles.
- (iv) On 26 August 2021, 4,081,000 Fully Paid Ordinary Shares were issued upon vesting of existing Performance Rights based on various performance and share price hurdles.
- (v) On the 8 October 2021, 2,600,000 Fully Paid Ordinary Shares were issued upon vesting of existing Performance Rights based on various performance and share price hurdles to employees other than CEO, COO or CTO, based on various performance and share price hurdles.

c) Terms and conditions of contributed equity

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

d) Performance shares

There are no Performance Shares on issue as at 31 December 2021.

PERFORMANCE SHARES	
Opening Performance Shares on issue	17,933,333
Performance Shares Exercised (i)	(13,433,333)
Performance Shares Lapsed (ii)	(4,500,000)
TOTAL PERFORMANCE SHARES	0

- (i) Class F Performance Shares of 13,433,333 vested and converted to fully paid ordinary shares during 2021.
- (ii) 4,500,000 performance shares with the expiry date 23 December 2021 lapsed, as announced to the ASX on 11 February 2022.

e) Performance Rights

Performance Rights on issue at 31 December 2021 are as follows:

i) Performance Rights, Long Term Incentives to Employees Expiring December 2021

PERFORMANCE RIGHTS	
Opening Performance Rights on issue	1,500,000
Performance Rights Exercised (i)	(1,500,000)
TOTAL PERFORMANCE RIGHTS	0

- (i) Performance rights of 1,500,000 vested and converted to fully paid ordinary shares during 2021.

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DROPSUITE LIMITEDii) **Performance Rights, Long Term Incentives to Employees Expiring 7 July 2023**

Performance conditions for the Performance Rights are as follows:

Tranche vested	Performance Condition	Expiry date
nil	<ol style="list-style-type: none"> To be employed for a period of 12 months (until 1 July 2020) from the date of the grant (Hurdle 1a) If Hurdle 1a is met, THEN Share price to achieve a volume weighted average price of at least AUD \$0.08 for a minimum of a thirty (30) day period (Hurdle 1b), provided that Hurdle 1a has been achieved. <p><u>Allocation Date</u>: no later than 45 days after Hurdle 1a & 1b are achieved.</p>	1 July 2023 with a further 12 months grace period at the discretion of the Board
nil	<ol style="list-style-type: none"> To be employed for a period of 24 months (until 1 July 2021) from the date of the grant (Hurdle 2a) If Hurdle 2a is met, THEN Share price to achieve a volume weighted average price of at least AUD \$0.14 for a minimum of a thirty (30) day period (Hurdle 2b), provided that Hurdle 2a has been achieved. <p><u>Allocation Date</u>: no later than 45 days after Hurdle 2a & 2b are achieved.</p>	1 July 2023 with a further 12 months grace period at the discretion of the Board
4,832,000 (40% of Total Performance Rights Granted)	<ol style="list-style-type: none"> To be employed for a period of 36 months (until 1 July 2022) from the date of the grant (Hurdle 3a) If Hurdle 3a is met, THEN Share price to achieve a volume weighted average price of at least AUD \$0.18 for a minimum of a thirty (30) day period (Hurdle 3b), provided that Hurdle 3a has been achieved. <p><u>Allocation Date</u>: no later than 45 days after Hurdle 2a & 2b are achieved.</p>	1 July 2023 with a further 12 months grace period at the discretion of the Board

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PERFORMANCE RIGHTS	
Opening Performance Rights on issue	9,060,000
Performance Rights (i)	(4,081,000)
Performance Rights Lapsed (ii)	(147,000)
TOTAL PERFORMANCE SHARES	4,832,000

(i) Performance rights of 4,081,000 were exercised and converted to fully paid ordinary shares during 2021.

(ii) 147,000 performance rights lapsed in 2021

Performance Rights of 12,080,000 issued with a total valuation of \$291,611 being amortised over the vesting period, using the Monte Carlo valuation method with assumptions including risk free rate of 0.93% and volatility of 92%. The DSE share price at the start of valuation date was \$0.031.

iii) **Performance Rights, Long Term Incentives to Employees Expiring 31/08/2024**

Performance Rights of 10,470,000 issued with a total valuation of \$236,530 being amortised over the vesting period, using the Monte Carlo valuation method with assumptions including risk free rate of 0.43% and volatility of 102%. The DSE share price at the start of valuation date was \$0.07.

Performance conditions for the Performance Rights are as follows:

Tranche vested	Performance Condition	Expiry date
nil	<p>4. To be employed for a period of 12 months (until 31 August 2021) from the date of the grant (Hurdle 1a)</p> <p>5. If Hurdle 1a is met, THEN</p> <p>6. Share price to achieve a volume weighted average price of at least AUD \$0.14 for a minimum of a thirty (30) day period (Hurdle 1b), provided that Hurdle 1a has been achieved.</p> <p><u>Allocation Date</u>: no later than 45 days after Hurdle 1a & 1b are achieved.</p>	31 August 2024 with a further 12 months grace period at the discretion of the Board
3,664,500 (35% of Total Performance Rights Granted)	<p>4. To be employed for a period of 24 months (until 31 August 2022) from the date of the grant (Hurdle 2a)</p> <p>5. If Hurdle 2a is met, THEN</p> <p>6. Share price to achieve a volume weighted average price of at least AUD \$0.18 for a minimum of a thirty (30) day period (Hurdle</p>	31 August 2024 with a further 12 months grace period at the discretion of the Board

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Tranche vested	Performance Condition	Expiry date
	<p>2b), provided that Hurdle 2a has been achieved.</p> <p><u>Allocation Date</u>: no later than 45 days after Hurdle 2a & 2b are achieved.</p>	
4,188,000 (40% of Total Performance Rights Granted)	<p>4. To be employed for a period of 36 months (until 31 August 2023 from the date of the grant (Hurdle 3a))</p> <p>5. If Hurdle 3a is met, THEN</p> <p>6. Share price to achieve a volume weighted average price of at least AUD \$0.22 for a minimum of a thirty (30) day period (Hurdle 3b), provided that Hurdle 3a has been achieved.</p> <p><u>Allocation Date</u>: no later than 45 days after Hurdle 2a & 2b are achieved.</p>	31 August 2024 with a further 12 months grace period at the discretion of the Board

PERFORMANCE RIGHTS	
Opening Performance Rights on issue	10,470,000
Performance Rights Exercised (i)	(2,600,000)
Performance rights lapsed (ii)	(70,000)
TOTAL PERFORMANCE RIGHTS	7,800,000

(i) Performance rights of 2,600,000 were exercised and converted to fully paid ordinary shares during 2021.

(ii) 70,000 performance rights lapsed as announced to the ASX on 11 October 2021.

f) Share options

No share options were granted by Dropsuite Limited during the year to 31 December 2021.

(g) Capital Risk Management

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

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

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

h) Reserves

	Foreign exchange reserve	Share Based Payments Reserve	Total Reserves
Carrying amount at 1 January 2021	(60,434)	48,253	(12,181)
Other comprehensive income	90,511		90,511
Share based payment performance rights exercised	-	170,580	170,580
Performance rights exercised	-	(141,650)	(141,650)
Carrying amount at 31 December 2021	30,077	77,183	107,260

NOTE 11: ACCUMULATED LOSSES

	CONSOLIDATED	
	2021	2020
	\$	\$
Balance at beginning of year	(21,592,378)	(19,445,021)
Net loss for the year	(31,233)	(2,147,357)
Other comprehensive income / (loss) for the year	-	-
Balance at end of financial year	<u>(21,623,611)</u>	<u>(21,592,378)</u>

NOTE 12: INCOME TAX EXPENSE

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

	CONSOLIDATED	
	2021	2020
	\$	\$
Accounting loss before tax from continuing operations	<u>(31,233)</u>	<u>(2,147,357)</u>
At the statutory income tax rate of 30% (2020: 30%)	(9,371)	(644,208)
<i>Effect of non-deductible/ assessable items in calculating taxable income /loss</i>		
Non-deductible expenses (non-assessable income)	58,932	508,083
International tax rate differential	(279,773)	43,773
Temporary differences and tax loss not brought to account as a deferred tax asset	230,213	92,352
At effective income tax rate of 0% (Prior year: 0%)	<u>-</u>	<u>-</u>

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

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

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

NOTE 13: RELATED PARTY DISCLOSURE**Particulars in relation to controlled entities of the legal parent entity, Dropsuite Limited**

Controlled entities	Country of Incorporation	Ownership Interest held by the Group	
		2021	2020
		%	%
Dropmysite Pte Ltd	Singapore	100	100
Dropmysite Inc	USA	100	100
Greenbase Corporation Pty Ltd (i)	Australia	100	100
Dropsuite India Private Limited	India	100	-

(i) Greenbase Corporation Pty Ltd is a dormant company

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

NOTE 14: DIRECTOR AND EXECUTIVE DISCLOSURES**Aggregate remuneration of key management personnel**

	CONSOLIDATED	
	2021	2020
	\$	\$
Salary and fees	1,140,985	1,221,382
Superannuation	30,628	26,700
Financial KPI	375,719	150,155
Non-financial KPI	54,521	55,045
Total	1,601,853	1,453,282

The above disclosure comprises the key management personnel of Dropmysite Pte Ltd and Dropsuite Limited for the year ended 31 December 2021 and year ended 31 December 2020.

Granted and exercisable option holdings of directors and executives

On 1 September 2020, Performance Rights were granted to the executive team as part of Long Term Incentives plan to Employees totalling 10,470,000.

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Executive Name	Expiry Date of 23 August 2024
Charif El Ansari	750,000
Ridley Ruth	375,000
Ron Hart	375,000
Bill Kyriacou	262,500
Kobe Li	150,000
	1,912,500

On 1 July 2019, Performance Rights were granted to the executive team as part of Long Term Incentives Plan to Employees totalling 12,080,000.

Executive Name	Expiry Date of 1 July 2023
Bill Kyriacou	280,000
	280,000

No options were granted to a director or executive as remuneration, and no options were exercised by a director or executive from options previously granted as remuneration.

NOTE 15: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

Risk management

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

Market Risk

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

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DROPSUITE LIMITED**Credit Risk**

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

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

Liquidity Risk

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

Interest rate risk

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

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

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Financial Instrument	Fixed Interest Rate		Floating Interest Rate		Non-Interest Bearing		Total	
	2021 \$	2020 \$	2021 \$	2020 \$	2021 \$	2020 \$	2021 \$	2020 \$
(i) Financial assets								
Cash	1,000,000	1,600,000	-	-	20,604,331	882,045	21,604,331	2,482,045
Receivables	-	-	-	-	2,158,638	1,399,407	2,158,638	1,399,407
Total financial assets	1,000,000	1,600,000	-	-	22,762,969	2,281,453	23,762,969	3,881,453
Weighted average interest rate	0.37%	0.99%	-	-	-	-	-	-
(ii) Financial liabilities								
Payables	-	-	-	-	2,018,024	1,297,197	2,018,024	1,297,197
Total financial liabilities	-	-	-	-	2,018,024	1,297,197	2,018,024	1,297,197

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

Interest Rate Sensitivity Analysis

For the year to 31 December 2021, the effect on profit or loss as a result of changes in the interest rate, with all other variables remaining constant would be not be material.

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

Net fair values

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

Foreign currency risk

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

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

The functional currency of Dropmysite Pte Ltd is Singaporean dollars.

The cash balances are in Australian dollars.

NOTE 16: AUDITORS' REMUNERATION

	CONSOLIDATED	
	2021	2020
	\$	\$
Audits or review of the financial report of the entity and any other entity in the consolidated group		
- Elderton Audit Pty Ltd	40,113	38,793
- Fiducia LLP	18,561	20,840
	58,674	59,633

NOTE 17: COMMITMENTS AND CONTINGENCIES

- (i) Operating lease commitments

Lease commitments - operating

Committed at the reporting date but not recognised as liabilities, payable:

	CONSOLIDATED	
	2021	2020
	\$	\$
Within one year	48,000	51,167
One to five years	4,000	-
	52,000	51,167

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The Group had no future non-cancellable operating lease liabilities at 31 December 2021 (2020: nil).

The Group had no contingent liabilities as at 31 December 2021.

NOTE 18: EVENTS AFTER THE REPORTING DATE

Subsequent to 31 December 2021:

On 11 February 2022, the company announced 4,500,000 performance shares with the expiry date 23 December 2021 had lapsed.

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DROPSUITE LIMITED

Directors' Declaration

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

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
- (c) Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the directors



Theo Hnarakis
Director
28 February 2022

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ELDERTON

AUDIT PTY LTD

Independent Audit Report to the members of Dropsuite Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Dropsuite Limited ('the Company') and its subsidiaries (collectively referred to as 'the Group'), which comprises the consolidated statement of financial position as at 31 December 2021, 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 2021 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.

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

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

Key Audit Matters

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

Revenue

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

Key Audit Matter

The Group generates revenues from providing a cloud software platform for easy back up, archiving and recovery solution services.

This is a key audit matter due to;

- the significance of the revenue amounts to the Group's consolidated financial statements;
- is more relevant to gauge financial performance of the Group; and
- is also linked with some of the performance rights of the key management personnel.

How our audit addressed the matter

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

- Review of revenue recognition policies and their application for compliance with accounting standards.
- Evaluate the design and implementation of key controls over the revenue cycle, in particular revenue completeness.
- Review revenue cut off and matching of costs for compliance with accounting standards.
- Review of contracts with distributors for compliance with accounting standards.
- Perform analytical review to identify unexpected variances.
- Substantively test a sample of source records relating to key customers, based on their specific nature, and trace to the detailed General Ledger ('GL').
- Substantively test a sample of source records relating to other than key customers and trace to the detailed General Ledger ('GL').

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

Other Information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is included in the annual report, (but does not include the financial report and our auditor's report thereon).

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 26 to 33 of the directors' report for the year ended 31 December 2021. The directors of the Dropsuite Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit in accordance with Australian Auditing Standards

Opinion

In our opinion, the Remuneration Report of Dropsuite Limited for the year ended 31 December 2021 complies with section 300A of the *Corporations Act 2001*.

Elderton Audit Pty Ltd

Elderton Audit Pty Ltd



Rafay Nabeel
Audit Director

28 February 2022

DROPSUITE LIMITED**Additional Shareholders Information**

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

Corporate Governance

The company's corporate governance statement is available on the company's website at

<https://dropsuite.com/investor-relations/>

1. Equity Security Holders - as at 17 February 2022

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

Fully Paid Ordinary Shares

Position	Holder Name	Holding	% IC
1	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	194,030,927	28.46%
2	MRS TRACY ANNE FEARON	37,415,184	5.49%
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	34,547,770	5.07%
4	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	31,466,289	4.61%
5	MR CHARIF ELANSARI	29,485,439	4.32%
6	CITICORP NOMINEES PTY LIMITED	20,437,365	3.00%
7	MR RIDLEY MCLEAN RUTH JR	17,794,468	2.61%
8	NATIONAL NOMINEES LIMITED	15,614,411	2.29%
9	BNP PARIBAS NOMS PTY LTD <DRP>	15,397,619	2.26%
10	Theodore James Hnarakis	11,752,311	1.72%
11	CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	10,030,394	1.47%
12	MR PHILLIP ANTHONY CARLTON & MS ALINE JANE PACHECO	9,761,589	1.43%
13	MR RONALD THOMAS HART JR	9,319,667	1.37%
14	MR HILAL TALAL HALAWI	8,364,239	1.23%
15	BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD <DRP A/C>	6,542,489	0.96%
16	VINCENZO CIUMMO	5,433,797	0.80%
17	GLORY WEALTH GROUP LTD	4,884,162	0.72%
18	CONTENT AND SYSTEMS PTE LTD	4,627,377	0.68%
19	GE EQUITY INVESTMENTS PTY LTD	4,340,000	0.64%
20	MS KYLIE LYNETTE NUSKE & MR MATTHEW JAMES COOK <VISION SPLENDID SUPER A/C>	3,876,445	0.57%
	Total	475,121,942	69.68%
	Total issued capital - selected security class(es)	681,868,092	100.00%

DROPSUITE LIMITED**2. Substantial Shareholders** (as at 17 February 2022 and to the best of the Company's knowledge)

Substantial holders of equity securities in the Company are set out below (holders holding more than 5% of total issued capital of the Company).

Holder Name	Shares held	% of total shares
Topline Capital Partners LP	136,311,269	19.99%
Tracy Anne Fearon	37,415,184	5.49%

Distribution of Equity Securities (as at 17 February 2022)*Class of Security – Ordinary Shares*

<i>Holding Ranges</i>	<i>Number of shareholders</i>	<i>Number of shares</i>	<i>Percentage of Issued Capital</i>
1 – 1,001	237	50,438	0.01%
1,001 – 5,000	286	992,452	0.15%
5,001 – 10,000	213	1,718,341	0.25%
10,001 – 100,000	686	26,131,070	3.83%
100,001 –and over	322	652,975,791	95.76%
Totals	1,744	681,868,092	-
<i>Less than marketable parcel of \$500</i>	294	161,145	0.02%

Class of Security – Performance Rights

<i>Holding Ranges</i>	<i>Number of shareholders</i>	<i>Number of shares</i>	<i>Percentage of Issued Capital</i>
1 – 1,001	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	12	776,000	6.13%
100,001 –and over	40	11,886,000	93.87%
Totals	52	12,662,000	-

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.

DROPSUITE LIMITED**Enquiries**

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

Automic Pty Ltd

Tel: +61 2 9698 5414

Web: www.automic.com.au

Electronic Announcements and Report

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

Removal from the Printed Annual Report Mailing List

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

Change of Name / Address

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

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

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

Consolidation of Shareholdings

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

Stock Exchange Listing

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

Registered Office

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

Telephone: +61 8 9429 2929
Fax: +61 8 9486 1011
Website: www.dropsuite.com
Company Secretary: Kobe Lizheng