

**DROPSUITE LIMITED & ITS CONTROLLED ENTITIES**  
**ACN 008 021 118**

**ASX APPENDIX 4E**  
**RESULTS FOR ANNOUNCEMENT TO THE MARKET**  
**PRELIMINARY FINAL REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**1. Reporting Period**

Current Reporting Year - For the year ended 31 December 2020  
Previous Reporting Period – For the year ended 31 December 2019

**2. Results for announcement to the market**

	December 2020 (\$)	December 2019 (\$)	Change (\$)	Change (%)
Revenue from operating activities	7,026,117	4,681,006	2,345,111	50.1%
Other Income	92,705	72,933	19,771	27.1%
Net (loss) from ordinary activities	(2,144,355)	(3,145,590)	1,001,235	31.8%
Net (loss) after tax and normalisations for the period	(2,144,355)	(3,145,590)	1,001,235	31.8%
Earnings Before interest, Tax, Depreciation and Amortisation (EBITDA)	(1,656,937)	(2,351,424)	694,487	29.5%

**EPS**

**December 2020**

**December 2019**

Basic earnings per share	(0.39) cents per share	(0.64) cents per share
Diluted earnings per share	(0.39) cents per share	(0.64) cents per share

**3. Financial Results**

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

The information provided in this report contains all the information required by ASX Listing Rule 4.3A.

**4. Dividends**

The Company has not paid dividends and is not proposing to pay dividends.

**5. Statement of profit or loss and other comprehensive income with notes**

Refer to attached unaudited financial report.

**6. Statement of financial position with notes**

Refer to attached unaudited financial report.

**7. Statement of changes in equity**

Refer to attached unaudited financial report.

**8. Statement of cash flows**

Refer to attached unaudited financial report.

**9. Segment results**

Refer to attached unaudited financial report.

**10. Details of entities over which control has changed**

There have been no changes in ownership over the prior year.

A list of wholly owned entities ultimately controlled by DROPSUITE Limited as at 31 December 2020 is as follows:

<b>Subsidiary</b>	<b>Country of Incorporation</b>
Dropmysite Pte Ltd	Singapore
Dropmysite Incorporated	USA

**11. Details of associates and joint venture entities**

The consolidated entity had no associates or joint venture entities during the year ended 31 December 2020.

**12. Other factors**

Refer to attached unaudited financial report.

**13. Status of audit and description of likely disputes or qualifications**

This preliminary final report is in the process of being audited. No matters have arisen which would result in a dispute or qualification at this time.

**Dropsuite Limited and its Controlled Entities**  
**31 December 2020**  
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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>REVENUE FROM CONTINUING OPERATIONS</b>	7,026,117	4,681,006
<b>OTHER INCOME</b>	77,542	38,089
<b>INTEREST INCOME</b>	15,163	34,844
<b>EXPENSES FROM CONTINUING OPERATIONS</b>		
Hosting fees	2,459,167	1,690,534
Marketing and conference expenses	357,681	279,249
Professional fees	131,556	114,481
Employee and director expenses	4,458,857	3,824,129
Depreciation expense	46,012	72,688
Amortisation expense	454,924	756,323
Office expenses	631,916	551,968
Other operating expenses	338,251	311,006
Other expenses	384,813	299,151
<b>NET LOSS BEFORE INCOME TAX</b>	<b>(2,144,355)</b>	<b>(3,145,590)</b>
Income tax benefit (expense)	-	-
<b>NET (LOSS) / PROFIT FOR THE YEAR</b>	<b>(2,144,355)</b>	<b>(3,145,590)</b>
Other comprehensive income – translation of foreign subsidiaries	(133,011)	(25,954)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>(2,277,366)</b>	<b>(3,171,544)</b>
Earnings per share		
Basic earnings per share – cents per share	(0.39)	(0.64)
Diluted earnings per share – cents per share	(0.39)	(0.64)

The accompanying notes form part of these unaudited summary financial statements

**Dropsuite Limited and its Controlled Entities**  
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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2020**

	Note	31 December 2020 \$	31 December 2019 \$
<b>Current assets</b>			
Cash and cash equivalents	5	2,482,045	1,424,004
Trade and other receivables	6	1,416,696	797,850
Other assets		135,085	76,637
<b>Total current assets</b>		<b>4,033,826</b>	<b>2,298,490</b>
<b>Non-current assets</b>			
Property, plant and equipment		28,589	43,055
Intangible Assets	7	0	454,924
Other non-current assets		50,343	60,889
Investments		3,841	5,017
<b>Total non-current assets</b>		<b>82,774</b>	<b>563,885</b>
<b>Total assets</b>		<b>4,116,599</b>	<b>2,862,376</b>
<b>Current liabilities</b>			
Trade and other payables	8	727,279	658,916
Wages payable		579,602	291,242
Deferred income		92,749	64,054
<b>Total current liabilities</b>		<b>1,399,631</b>	<b>1,014,212</b>
<b>Non-Current liabilities</b>			
Other non-current liabilities		50,343	50,343
<b>Total current liabilities</b>		<b>50,343</b>	<b>50,343</b>
<b>Total liabilities</b>		<b>1,449,974</b>	<b>1,064,555</b>
<b>Net assets</b>		<b>2,666,625</b>	<b>1,797,820</b>
<b>Equity</b>			
Contributed equity	9	24,047,941	21,138,601
Reserves		208,060	104,240
Accumulated Losses		(21,587,375)	(19,445,021)
<b>Total equity</b>		<b>2,666,625</b>	<b>1,797,820</b>

The accompanying notes form part of these unaudited summary financial statement

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

<b>2020 CONSOLIDATED</b>	<b>Issued capital</b>	<b>Foreign exchange reserve</b>	<b>Share Based Payments Reserve</b>	<b>Accumulated Losses</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>		<b>\$</b>	<b>\$</b>
<b>Balance at 1 January 2020</b>	<b>21,138,601</b>	<b>90,176</b>	<b>14,062</b>	<b>(19,445,020)</b>	<b>1,797,820</b>
<b>Comprehensive income</b>					
Loss for the year	-	-	-	(2,144,355)	(2,144,355)
Other comprehensive income (loss) for the year	-	(133,011)	-	-	(133,011)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>(133,011)</b>	<b>-</b>	<b>(2,144,355)</b>	<b>(2,277,366)</b>
<b>Transactions with owners in their capacity as owners:</b>					
Issue of share capital	2,909,340	-	-	-	2,909,340
Share Based Payments Reserve	-	-	236,833	-	236,833
<b>Total transactions with owners and other transfers</b>	<b>2,909,340</b>	<b>-</b>	<b>236,833</b>	<b>-</b>	<b>3,146,173</b>
<b>Balance at 31 December 2020</b>	<b>24,047,941</b>	<b>(42,835)</b>	<b>250,895</b>	<b>(21,589,375)</b>	<b>2,666,625</b>

<b>2019 CONSOLIDATED</b>	<b>Issued capital</b>	<b>Foreign exchange reserve</b>	<b>Share Based Payments Reserve</b>	<b>Accumulated Losses</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>		<b>\$</b>	<b>\$</b>
<b>Balance at 1 January 2019</b>	<b>21,138,601</b>	<b>116,130</b>	<b>-</b>	<b>(16,299,430)</b>	<b>4,955,301</b>
<b>Comprehensive income</b>					
Loss for the year	-	-	-	(3,145,590)	(3,145,590)
Other comprehensive income (loss) for the year	-	(25,954)	-	-	(25,954)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>(25,954)</b>	<b>-</b>	<b>(3,145,590)</b>	<b>(3,171,543)</b>
<b>Transactions with owners in their capacity as owners:</b>					
Share Based Payments Reserve	-	-	14,062	-	14,062

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<b>Total transactions with owners and other transfers</b>	-	-	<b>14,062</b>	-	<b>14,062</b>
<b>Balance at 31 December 2019</b>	<b>21,138,601</b>	<b>90,176</b>	<b>14,062</b>	<b>(19,445,020)</b>	<b>1,797,820</b>

The accompanying notes form part of these unaudited summary financial statements

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	Note	CONSOLIDATED	
		2020	2019
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from sales		6,089,442	4,452,744
Payments to suppliers and employees		(7,902,606)	(6,463,718)
Interest paid		-	-
Interest received		15,947	41,277
<b>Net cash used in operating activities</b>	5	<b>(1,797,218)</b>	<b>(1,969,697)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Payments for property, plant and equipment		(30,008)	(93,231)
Loans to related parties		-	-
Payment for development costs		-	-
<b>Net cash provided by/(used in) financing activities</b>		<b>(30,008)</b>	<b>(93,231)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from capital raising		2,885,267	-
Proceeds from issue of convertible notes		-	-
Proceeds from borrowings		-	-
<b>Net cash provided by financing activities</b>		<b>2,885,267</b>	<b>-</b>
<b>Net increase (decrease) in cash and cash equivalents held</b>		<b>1,058,041</b>	<b>(2,062,928)</b>
Cash and cash equivalents at the beginning of the financial year		<b>1,424,004</b>	<b>3,486,932</b>
<b>Cash and cash equivalents at the end of the financial year</b>	5	<b>2,482,045</b>	<b>1,424,004</b>

# **Dropsuite Limited and its Controlled Entities**

## **31 December 2020**

### **Unaudited Summary Financial Report**

#### **Note 1: Basis of Preparation and Summary of Significant Accounting Policies**

The preliminary financial report has been prepared in accordance with ASX listing rule 4.3A and the disclosure requirements of ASX Appendix 4E.

The consolidated financial statements of Dropsuite Limited (the Company or Parent Entity) as at and for the year ended 31 December 2020 comprise the Company and its subsidiaries (Consolidated Group or Group).

The directors have prepared the Unaudited Summary Financial Report on the basis that the Consolidated Group is a reporting entity because there are users dependent on general purpose financial statements. The financial statements are therefore general purpose financial statements that have been prepared in order to meet the requirements of the Corporations Act 2001.

Except as otherwise stated, the financial information has been prepared in accordance with the significant accounting policies disclosed below, which the directors have determined are appropriate to present for inclusion in an unaudited financial report in Australia.

The financial information has been prepared on an accruals and historical cost basis and is presented in Australian dollars.

#### **a) Going Concern**

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

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

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

#### **Basis of preparation**

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

The financial report has been presented in Australian Dollars.

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.



# **Dropsuite Limited and its Controlled Entities**

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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) Principles of Consolidation**

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

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

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

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

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

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

#### **(c) 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.

# **Dropsuite Limited and its Controlled Entities**

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### **Unaudited Summary Financial Report**

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.

#### **(d) Revenue recognition**

The Group derives income through the provision of digital backup services for data, email and websites. Revenue for services is recognized as revenue when the services are rendered. Revenue from services provided but unbilled is accrued at the end of each reporting period and unearned revenue for services to be provided in future periods is deferred and recognised in the period that the services are rendered. Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

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

#### **e) Current and non-current classification**

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

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

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

#### **f) 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.

# **Dropsuite Limited and its Controlled Entities**

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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.

#### **g) 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.

#### **h) Income tax**

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

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax 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.

#### **i) 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.

# **Dropsuite Limited and its Controlled Entities**

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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.

#### **j) Impairment**

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

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

#### **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 provision for impairment. Trade receivables are generally due for settlement within 30 days.

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

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

#### **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 and its Controlled Entities

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### Unaudited Summary Financial Report

#### 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.

#### Amortisation

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

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

# **Dropsuite Limited and its Controlled Entities**

## **31 December 2020**

### **Unaudited Summary Financial Report**

#### **o) Investments and other financial assets**

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

##### *Financial assets at fair value through profit or loss*

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

##### *Financial assets at fair value through other comprehensive income*

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

##### *Impairment of financial assets*

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

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

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

#### **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).

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

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

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

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

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

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

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see note 4).

#### **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.

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

##### **Capitalised development costs**

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

##### **Impairment of capitalised development costs**

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

##### **Amortisation of capitalised development costs**

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

##### **Share-based payment transactions**

The Group 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 are options are determined by using either the Binomial or Black-Scholes model which incorporate various estimates and assumptions. 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.

##### **Taxation**

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



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**Note 2: 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 2020, being the provision of backup services.

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

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**Note 3: Revenue and Expenses**

<b>4(a) Revenue from continuing operations</b>	<b>CONSOLIDATED</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Sales income	7,026,117	4,681,006
Other Income	77,542	38,089
Interest income	15,163	34,844
<b>Total Income</b>	<b>7,118,822</b>	<b>4,753,939</b>
<b>4(b) Expenses</b>		
<b>(i) Professional fees</b>		
Accounting, audit and taxation expenses	114,048	107,571
Legal expenses	17,508	6,910
<b>Total professional fees</b>	<b>131,556</b>	<b>114,481</b>
<b>(ii) Employee and director expenses</b>		
Wages, salaries and superannuation	3,901,921	3,266,640
Directors	556,935	557,489
<b>Total employee benefits expense</b>	<b>4,458,857</b>	<b>3,824,129</b>
<b>(iii) Office expenses</b>		
IT expenses	269,104	205,755
Impairment expense	3,310	1,494
Office rental expenses	72,320	43,569
Bank fees	37,635	13,051
Office services	248,004	227,171
Other office expenses	1,544	60,930
<b>Total office expenses</b>	<b>631,916</b>	<b>551,970</b>
<b>(iv) Other operating expenses</b>		
Foreign currency gains and losses	29,906	33,527
Withholding tax	175,966	178,286
Corporate advisory & listing fees	132,379	99,193
<b>Total other operating expenses</b>	<b>338,251</b>	<b>311,006</b>
<b>(v) Other expenses</b>		
Bad debt expense	23,740	1,043
Interest	1,646	-
Share based premium expense	236,833	14,062
Transportation and travelling expenses	48,836	222,744
Insurance expense	73,758	61,302
<b>Total other expenses</b>	<b>384,813</b>	<b>299,151</b>

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#### Note 4: Loss per Share

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

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

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

	<b>CONSOLIDATED</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Net loss after income tax benefit attributable to members	(2,144,355)	(3,145,590)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS and diluted EPS (i)	551,716,072	492,650,031
Earnings per share	(0.39)	(0.64)

#### Notes

- (i) On 17 February 2020, 60,472,080 Fully Paid Ordinary Shares were issued to institutional investors at \$0.045 and 1,499,999 Fully Paid Ordinary Shares issued to a sophisticated investor at \$0.045.
- On 11 March 2020, 6,355,545 Fully Paid Ordinary Shares were issued as part of the Share Purchase Plan at \$0.045.
- On 9 December 2020, 3,007,500 Long Term Incentive Performance Rights were granted to employees not being the CEO, COO or CTO, based on various performance and share price hurdles within 3 years.

#### Note 5: Cash and Cash Equivalents

##### • Reconciliation of cash

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

	<b>CONSOLIDATED</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Cash at bank	2,482,045	1,424,004

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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**Note 6: Trade and Receivables**

	<b>CONSOLIDATED</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Trade and other receivables	1,416,696	797,850
	<u>1,416,696</u>	<u>797,850</u>

All receivables are current and not impaired.

**Note 7: Intangible Assets**

	<b>CONSOLIDATED</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Capitalised software development costs:		
Cost	2,268,968	2,268,968
Accumulated amortisation	(2,268,968)	(1,814,044)
	<u>-</u>	<u>454,924</u>

	<b>Capitalised Development Costs</b>
<b>Year ended 31 December 2019</b>	
Balance at the beginning of the year	1,211,247
Additions	-
Amortisation	(756,323)
<b>Closing value as at 31 December 2019</b>	<u><b>454,924</b></u>
<b>Year ended 31 December 2020</b>	
Balance at the beginning of the year	454,924
Additions	-
Amortisation	(454,924)
<b>Closing value as at 31 December 2020</b>	<u><b>-</b></u>

**Note 8: Trade and Other Payables**

	<b>CONSOLIDATED</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Trade creditors	396,404	295,740
Other payables and accruals	330,876	363,176
	<u><b>727,279</b></u>	<u><b>658,916</b></u>

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

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**Note 9: Contributed Equity**

**Issued and fully paid up capital**

	<b>CONSOLIDATED</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Ordinary shares	24,047,941	21,138,601

**Note 10: Commitments and Contingencies**

- (i) Operating lease commitments

*Lease commitments - operating*

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

	<b>CONSOLIDATED</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Within one year	51,167	-
One to five years	-	-
	51,167	-

The Group had no future non-cancellable operating lease liabilities at 31 December 2020 (2019: nil).

The Group had no contingent liabilities as at 31 December 2020.

**Note 11: Events Subsequent to Reporting Date**

None

**Compliance statement**

1. This report has been prepared in accordance with AASB Standards, International Financial Reporting Standards and other standards acceptable to the ASX.

2. This report, and the accounts upon which the report is based (if separate), use the same accounting policies

3. This report gives a true and fair view of the matters disclosed

4. This report is based on accounts to which one of the following applies.

- ☐ The accounts have been audited
- ☐ The accounts have been subject to review
- ☒ The accounts are in the process of being audited or reviewed
- ☐ The accounts have not yet been audited or reviewed