

# Mach7 Technologies Limited

ACN 007 817 192

and controlled entities (Mach7 Technologies Group)

## Appendix 4D and Half Year Report For the half year ended 31 December 2017

Provided to the ASX in accordance with listing rule 4.2A

Mach7 Technologies Limited  
**ASX Appendix 4D – Half Year Report**  
 FOR THE HALF YEAR ENDED 31 DECEMBER 2017

**Results for announcement to the market**

- 1 Current reporting period is 1 July 2017 to 31 December 2017  
 Previous corresponding period is 1 July 2016 to 31 December 2016

					Current reporting period \$'000
		% Change from previous corresponding period			
2.1	Revenues from ordinary activities	down	19%	to	3,861
2.2	Profit/(loss) from ordinary activities after tax attributable to members	down	14%	to	(3,395)
2.3	Net profit/(loss) for the period attributable to members.	down	14%	to	(3,395)
2.4	<b>Dividends</b>				
	Interim dividend		-		-
	Final dividend		-		-

**Net Tangible Asset Backing**

				31 December 2017      30 June 2017
3	Net tangible asset backing per ordinary share			3 cents                      3 cents

**Comments by directors**

Please refer to the “Operating and Financial Review” in the directors’ report for a detailed explanation and analysis of the Group’s performance for the six months ended 31 December 2017.

**Review opinion**

This report is based on accounts which have been independently reviewed by the Company’s external auditors. A copy of the directors’ report and financial statements, together with the auditors’ review report, is attached.

# Mach7 Technologies Limited

## Directors' Report

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

Your directors submit their report for the half year ended 31 December 2017.

### Directors

The following persons were Directors or Company Secretary of Mach7 Technologies Limited (Company) during the whole of the six-month period ended 31 December 2017 and up to the date of this report, unless otherwise stated:

#### Director

Damien Lim	Non-Executive Chairman
Mike Jackman	CEO (appointed as a Director on 25 September 2017)
Dr Nigel Finch	Non-Executive Director
Nobuhiko Ito	Non-Executive Director
A. Wayne Spittle	Non-Executive Director
Alyn Tai	Company Secretary

### Principal activities

The principal activity of the Company is the development and commercialisation of image data solutions for healthcare enterprises. The Mach7 data services platform enables the sharing, storage and workflows of all types of medical images data across any, and all, modalities thus enabling interoperability for the healthcare enterprise.

### Operating and financial review

The operating and financial review section of the directors' report is outlined in the following sections:

- Financial position
- Review of operations

The Directors' comments form an integral part of this Directors' Report.

### Financial position

The Group's financial position continues to strengthen. At 31 December 2017 the Group reported \$3.7 million of net tangible assets (30 June 2017: \$3.4 million). The Group reported total cash of \$4.9 million, being cash & cash equivalents on hand of \$4.5 million and cash on term deposit (> 3-month term) of \$0.4 million as at 31 December 2017. This represents an increase of \$2.1 million over the previous corresponding period (30 June 2017: \$2.8 million). This increase is mainly due to a capital raise completed during the current period of \$2.0 million. There were no broker or legal costs incurred for this transaction.

### Cash-flows from operations

The Group reported a net cash inflow from operations for the current reporting period of \$0.2 million. This is a significant improvement compared to the prior corresponding period net cash outflow of \$2.4 million, and demonstrates the Group is making positive progress towards its target of being able to sustain positive cash flows from operations over time. Included in the cash flow from operations was receipts from customers of \$6.0 million for the current reporting period, compared to \$4.3 million for the previous corresponding period.

### Review of operations

The Group reported a net loss after tax of \$3.4 million for the half year ended 31 December 2017 ("H12018"). The net loss after tax for the previous corresponding period ("H12017") was \$3.9 million, and therefore an improvement in profitability of \$0.5 million (+14%) was achieved for the current reporting period. This result is further explained in the following section of this report.

# Mach7 Technologies Limited

## Directors' Report

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

### Revenue from continuing operations

Revenue recognised for the current reporting period was \$3.9 million. Revenue is lower by \$0.9 million (-19%) compared to the previous corresponding period (H12017: \$4.8 million).

The lower revenues for H12018 is due primarily to the change in sales mix of orders received during the current period compared to the prior corresponding period. A significant order received during the current period was predominantly for services, rather than software, and will be recognised as revenue in future periods as the services are performed. The prior period, by comparison, included one major software project in the Middle East that was completed and recognised, which contributed \$0.8 million to software revenues in the prior period. There was no similar project in the current period in this region but the Group is progressing a strong pipeline of opportunities, including those with our existing customer base, and is confident of securing new projects and recognising revenues in this region going forward. Due to the nature of sales and contract cycles, the timing of revenue recognition will continue to be sporadic.

It should be noted that total revenue from the U.S. market grew by 17% (current vs prior period) and the U.S. pipeline continues to be further strengthened. In other regions (as well as the U.S.) the Group has engaged several distributors (e.g. Latin America, Europe) which it expects to generate software revenues in future financial years. Refer to note 3 to the financial statements for further information on revenue by region.

Revenue from professional services has grown by \$0.4 million (+83%) demonstrating that the Group is completing many more implementations of Mach7 software compared to the prior period. Once these implementation services are complete, support services will commence and annual maintenance fee revenues will also increase. In addition to the reported service fee revenue, the Group secured a large data migration project with Sentara Healthcare (an existing customer) during the current period. This project will commence and associated service fee revenue will begin to be recognised in the second half of this financial year.

Revenue from annual maintenance fees were lower by \$0.25 million (-16%) due to a gap in the provision of support services for one customer in the Middle East region. Support has re-commenced for this customer and associated support revenue will be recognised in the second half of this financial year. Support revenue for the U.S.A./Europe regions has grown by +26% and will continue to grow with every new customer who licenses the software.

Contracted annual recurring revenue (annual maintenance fees and subscription fees) totals \$4.4 million at 31 December 2017 and has grown by +24% over the prior corresponding period. Certain contracts have yet to reach go-live stage and therefore annual maintenance fee revenue on these contracts is yet to be recognised.

The table below provides a breakdown of revenue recognised by product/service (table 1):

<b>Revenue from continuing operations</b>	<b>Mach7 Group H1 2018</b>	<b>Mach7 Group H1 2017</b>	
	6 months to 31 December 2017	6 months to 31 December 2016	
	\$	\$	<b>% Change</b>
Software licence fees	1,478,082	2,475,713	(40%)
Professional service fees	865,375	500,364	73%
Annual maintenance fees	1,309,161	1,563,104	(16%)
Subscription, Pay-per-use	208,588	246,843	(15%)
<b>Revenue from continuing operations</b>	<b>3,861,206</b>	<b>4,786,024</b>	<b>(19%)</b>

### Expenses from operations

# Mach7 Technologies Limited

## Directors' Report

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

Operating expenditure for the current reporting period was \$5.5 million. Operating expenditure has fallen by \$1.2 million (-18%) compared to the previous corresponding period (H12017: \$6.7 million). The fall in operating expenses is mainly due to the divestment of 3D Medical operations and other the cost-saving initiatives that have been undertaken across all areas of the Group.

The table below presents the operating expenses from operations (excluding interest expense, share-based payments expense, depreciation & amortisation (table 2):

Operating expenses	Mach7 Group H1 2018	Mach7 Group H1 2017	
	6 months to 31 December 2017	6 months to 31 December 2016	
	\$	\$	% Change
Employee benefits expenses	4,329,306	4,572,115	(5%)
Corporate and professional fees	182,099	593,320	(69%)
Marketing expenses	236,194	369,543	(36%)
Travel and related expenses	229,019	405,611	(44%)
Administration, insurance and other	397,614	493,626	(19%)
Distributor expenses and license fees	139,866	278,872	(50%)
<b>Expenses from operations*</b>	<b>5,514,098</b>	<b>6,713,087</b>	<b>(18%)</b>

*\*excluding interest expense, depreciation and amortisation, and share based payments expenses*

### Loss after tax

EBITDA (Adjusted) loss increased by \$0.2 million compared to the prior corresponding period. When excluding net other income (which mainly includes foreign exchange gains and losses, and doubtful debt expenses and recoveries), EBITDA (Adjusted) loss has improved (i.e. fallen) over the prior corresponding period by \$0.4 million.

The loss after tax for the half year has improved by \$0.6 million compared to the prior corresponding period due to the above factors mentioned, and the following:

- Interest expenditure has fallen by 0.2 million due to external debt being repaid in full during the last financial year. The small interest charge for the current period relates to an equipment finance lease;
- Depreciation and amortisation expenses, together with the related income tax benefit, have fallen by \$1.5 million due to the balance of intangible assets and associated deferred tax liability being written down in FY2017;
- Share-based payments (a non-cash item) have increased by \$0.4 million due to CEO performance rights issued August 2017, options to employees issued October 2017, and options and shares issued to Directors in lieu of fees as approved by shareholders in December 2017.

The table below presents the Group's loss after tax and EBITDA (Adjusted) from operations (table3):

# Mach7 Technologies Limited

## Directors' Report

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

Loss after tax, and EBITDA (adjusted)	Mach7 Group HI 2018 6 months to 31 December 2017 \$	Mach7 Group HI 2017 6 months to 31 December 2016 \$	% Change
Revenue from continuing operations	3,861,206	4,786,024	(19%)
Operating expenses	(5,514,098)	(6,713,087)	(18%)
Other income (net of other expenses)	16,685	634,177	(97%)
<b>EBITDA Adjusted* Loss (cash)</b>	<b>(1,636,207)</b>	<b>(1,292,886)</b>	27%
Share-based payments expense (non-cash)	(443,222)	(67,097)	561%
Interest expense	(10,832)	(239,533)	(95%)
Depreciation and amortisation charges (non-cash)	(1,850,920)	(3,295,760)	(44%)
Income tax benefit (non-cash)	545,700	950,048	(43%)
<b>Loss for the half-year</b>	<b>(3,395,481)</b>	<b>(3,945,229)</b>	(14%)

*\*Earnings Before Interest, Tax, Depreciation and Amortisation expenses and non-cash share-based payments.*

#### Significant events occurring after balance date

There were no significant events that occurred after 31 December 2017.

#### Outlook

The Group is in a solid financial position with approximately \$4.9 million in free cash and no debt on its balance sheet. Mach7 has developed a technologically sound, highly competitive product. With the launch of version 12 of its software in 2018, its technology and financial position provides Mach7 with the perfect platform to take advantage of a buoyant global healthcare data services market. The Group is expanding its market reach through the engagement of new distributors/value added resellers in the U.S. and other markets such as Latin America. Revenues and profitability from the U.S. market continue to grow, although revenue and cash flow will continue to be lumpy for the foreseeable future. Overall, the Group is making progress towards profitability and building a long term sustainable business for its shareholders.

#### Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the financial half-year.

#### Auditor's independence declaration

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

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Damien Lim, Chairman  
26 February 2018, Singapore

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**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the review of the financial report of Mach7 Technologies Limited and its controlled entities for the half year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

A handwritten signature in blue ink, appearing to be "RSM".**RSM AUSTRALIA PARTNERS**A handwritten signature in blue ink, appearing to be "R B Miano".

**R B MIANO**  
Partner

Dated: 26 February 2018  
Melbourne, Victoria

# Mach7 Technologies Limited

## Statement of Financial Position

AS AT 31 DECEMBER 2017

CONSOLIDATED			
	Note	31 Dec 17	30 Jun 17
		\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	4,474,406	2,684,225
Financial assets	5	409,917	100,000
Trade and other receivables	6	3,261,996	4,814,753
Other current assets		298,244	297,399
<b>Total current assets</b>		<b>8,444,563</b>	<b>7,896,377</b>
<b>Non-current assets</b>			
Plant and equipment		150,634	184,912
Intangible assets		16,020,881	17,843,215
<b>Total non-current assets</b>		<b>16,171,515</b>	<b>18,028,127</b>
<b>Total assets</b>		<b>24,616,078</b>	<b>25,924,504</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		1,180,729	1,755,447
Deferred revenue	7	3,631,415	2,855,480
Financial liabilities		-	20,000
Interest bearing liabilities		12,508	12,358
<b>Total current liabilities</b>		<b>4,824,652</b>	<b>4,643,285</b>
<b>Non-current liabilities</b>			
Finance leases		6,493	13,009
Deferred tax liability		4,783,731	5,329,432
<b>Total non-current liabilities</b>		<b>4,790,224</b>	<b>5,342,441</b>
<b>Total liabilities</b>		<b>9,614,876</b>	<b>9,985,726</b>
<b>Net assets</b>		<b>15,001,202</b>	<b>15,938,778</b>
<b>EQUITY</b>			
Contributed equity		55,159,498	53,090,510
Reserves		3,048,962	2,660,045
Accumulated losses		(43,207,258)	(39,811,777)
<b>Total Equity</b>		<b>15,001,202</b>	<b>15,938,778</b>

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



Mach7 Technologies Limited

# Statement of Profit and Loss and Other Comprehensive Income

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

CONSOLIDATED			
	Note	31 Dec 2017	31 Dec 2016
		\$	\$
<b>Revenue from continuing operations</b>			
Revenue from sales	4a	3,861,206	4,786,024
Other income	4b	292,467	634,176
		<b>4,108,673</b>	5,420,200
Employee benefits & staff related expenses		(4,329,306)	(4,572,115)
Professional, consultancy, and corporate expenses		(182,099)	(593,320)
Marketing expenses		(236,192)	(369,543)
Travel and related expenses		(229,020)	(405,611)
General administration expenses		(397,615)	(493,626)
Distributor and license fees		(139,866)	(278,872)
Other expenses	4c	(275,782)	-
Finance costs		(10,832)	(239,533)
Share based payment expense		(443,222)	(67,097)
Depreciation and amortisation	4d	(1,850,920)	(3,295,760)
<b>Loss from continuing operations before income tax</b>		<b>(3,941,181)</b>	<b>(4,895,277)</b>
Income tax benefit		545,700	950,048
<b>Loss for the year</b>		<b>(3,395,481)</b>	<b>(3,945,229)</b>
Other comprehensive income		25,145	(223,177)
<b>Total comprehensive loss for the year, net of tax, attributable to equity holders of the parent</b>		<b>(3,370,336)</b>	<b>(4,168,406)</b>
<b>Earnings per share (cents per share)</b>			
- Basic earnings/(loss) per share		<b>(3 cents)</b>	(4 cents)
- Diluted earnings/(loss) per share		<b>(3 cents)</b>	(4 cents)
Dividends per share (cents)		-	-

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

Mach7 Technologies Limited  
**Statement of Changes in Equity**  
 FOR THE HALF YEAR ENDED 31 DECEMBER 2017

Consolidated	Share Capital	Share Based Payments Reserve	Foreign Exchange Translation Reserve	Accumulated losses	Total Equity
	\$	\$	\$	\$	\$
<b>At 1 July 2016</b>	<b>43,856,377</b>	<b>1,897,267</b>	<b>(139,405)</b>	<b>(22,152,680)</b>	<b>23,461,559</b>
Loss for the half-year	-	-	-	(3,945,229)	(3,945,229)
Other comprehensive income/(loss) for the year	-	-	(223,177)	-	(223,177)
Total comprehensive loss for the half-year	-	-	(223,177)	(3,945,229)	(4,168,406)
Issue of share capital	9,772,844	-	-	-	9,772,844
Capital raising costs	(516,039)	-	-	-	(516,039)
Share based payments	-	67,097	-	-	67,097
<b>At 31 December 2016</b>	<b>53,113,182</b>	<b>1,964,364</b>	<b>(362,582)</b>	<b>(26,097,909)</b>	<b>28,617,055</b>
<b>At 1 July 2017</b>	<b>53,090,510</b>	<b>2,351,762</b>	<b>308,283</b>	<b>(39,811,777)</b>	<b>15,938,778</b>
Loss for the half-year	-	-	-	(3,395,481)	(3,395,481)
Other comprehensive income/(loss) for the year	-	-	25,145	-	25,145
Total comprehensive loss for the half-year	-	-	25,145	(3,395,481)	(3,370,336)
Issue of share capital	2,000,000	-	-	-	2,000,000
Share-based payment securities converted to ordinary fully paid shares	79,450	(79,450)	-	-	-
Capital raising costs	(10,462)	-	-	-	(10,462)
Share based payments	-	443,222	-	-	443,222
Foreign exchange	-	(1,957)	1,957	-	-
<b>At 31 December 2017</b>	<b>55,159,498</b>	<b>2,713,577</b>	<b>335,385</b>	<b>(43,207,258)</b>	<b>15,001,202</b>

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

Mach7 Technologies Limited  
**Statement of Cash Flows**  
 FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	Note	CONSOLIDATED	
		31 Dec 2017	31 Dec 2016
		\$	\$
<b>Cash flows from operating activities</b>			
Receipts from customers		6,110,144	4,343,349
Payments to suppliers and employees		(6,126,078)	(6,948,121)
Interest received		13,371	2,597
Interest and other costs of finance paid		-	(134,967)
Taxes paid		-	(7,700)
Government grants and tax incentives received		289	6,135
Other receipts (rental and reimbursements)		204,747	342,087
Net cash used in operating activities		<b>202,473</b>	<b>(2,396,620)</b>
<b>Cash flows from investing activities</b>			
Other investing receipts		-	9,260
Proceeds from sale of plant and equipment		965	-
Cash transferred to term deposits (financial assets)		(309,917)	-
Payment for plant and equipment		(31,078)	-
Net cash flows provided by / (used in) investing activities		<b>(340,030)</b>	<b>9,260</b>
<b>Cash flows from financing activities</b>			
Proceeds from issues of shares, options etc		2,000,000	7,400,370
Repayment of borrowings		-	(670,000)
Capital raising costs		(9,486)	(494,700)
Net cash flows provided by financing activities		<b>1,990,514</b>	<b>6,235,670</b>
Net increase/ (decrease) in cash and cash equivalents		<b>1,852,957</b>	<b>3,848,310</b>
Net foreign exchange difference relating to cash		<b>(62,776)</b>	<b>(55,506)</b>
Cash and cash equivalents at beginning of period		<b>2,684,225</b>	<b>1,718,511</b>
<b>Cash and cash equivalents at end of period</b>	<b>5</b>	<b>4,474,406</b>	<b>5,511,315</b>

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

# Mach7 Technologies Limited

## Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

### 1. CORPORATE INFORMATION

The financial report of Mach7 Technologies Limited (the “Company” or the “Parent”) for the half year ended 31 December 2017 was authorised for issue in accordance with a resolution of the directors on 26 February 2018.

Mach7 Technologies Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX:M7T).

The nature of the operations and principal activities of Mach7 Technologies Limited and its consolidated entities (the “Group”) are described in the Directors’ Report.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Preparation

The financial report is a general purpose financial report for the interim half-year reporting period ended 31 December 2017, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134 'Interim Financial Reporting' as appropriate for for-profit entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The financial report has been prepared on a historical cost basis and is presented in Australian dollars unless otherwise stated.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001. The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

The consolidated entity has adopted all 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.

#### Going Concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the Group incurred losses of \$3.4 million. However, the Group reported a positive cash flow from operations for the period of \$0.2 million and cash on hand (including deposits) of \$4.9 million, and has net current assets of \$3.6 million at the end of the reporting period.

Due to the solid financial position at 31 December 2017 and the positive cash flow from operations during the period, the Directors believe that there are reasonable grounds to believe that the Group will be able to continue as a going concern, provided the Group continues to be successful in securing projected new revenue contracts and manages its operating cash flows effectively. Accordingly, the Directors believe that the Group will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

# Mach7 Technologies Limited

## Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

### 3. SEGMENT INFORMATION

The business operations of Mach7 Technologies is the commercialisation and sale of medical imaging software, predominantly throughout the United States, Asia-pacific, and the Middle East region. The operational segments of this business are determined with reference to how revenue is generated, that is, from software license fees, provision of services to customers and other segments. Services provided to customers includes customer training, software installation services, and maintenance and support services. Other segments include 3D medical printing operations, however this business was divested in the fourth quarter of 2017.

	CONSOLIDATED	
	31 Dec 2017 (6 months)	31 Dec 2016 (6 months)
	\$	\$
<b>Segment revenues</b>		
<b>Product segment revenues</b>		
Software licenses	1,686,670	2,722,556
Professional services & maintenance services	2,174,536	2,054,752
Other segments	–	8,716
	<b>3,861,206</b>	<b>4,786,024</b>
<b>Geographical segment revenues</b>		
United States	3,454,036	2,961,405
Middle East	262,731	1,398,016
Asia/Pacific	87,115	331,432
Other	57,324	95,171
	<b>3,861,206</b>	<b>4,786,024</b>
<b>Segment adjusted EBITDA*</b>		
Software licenses	293,701	1,095,182
Professional services & maintenance services	1,105,552	677,914
Product development	(1,296,277)	(1,139,895)
Other segments	–	(207,731)
	<b>102,977</b>	<b>425,470</b>
<b>Reconciliation to net loss after tax</b>		
Segment adjusted EBITDA	102,977	425,470
Administration and corporate expenses <sup>^</sup>	(1,778,521)	(2,236,780)
Net other income/(other expenses) not allocated to segments	39,337	518,423
<b>Group adjusted EBITDA</b>	<b>(1,636,207)</b>	<b>(1,292,887)</b>
Share based payments expense	(443,222)	(67,097)
Depreciation and amortisation expense	(1,850,920)	(3,295,760)
Finance & interest costs	(10,832)	(239,533)
Income tax benefit	545,700	950,048
<b>Net loss after tax</b>	<b>(3,395,481)</b>	<b>(3,945,229)</b>

<sup>\*</sup>Segment Adjusted Earnings before Interest, Tax, Depreciation & Amortisation, and non-cash share-based payments expenses (Adjusted EBITDA).

<sup>^</sup>Administration and corporate expenses are not allocated to a particular operating segment, but are reviewed by management separately. This category includes expenses related to corporate/head office, ASX and governance, compliance costs (audit, tax etc), certain executive management costs, and occupancy costs.

# Mach7 Technologies Limited

## Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

### 3. SEGMENT INFORMATION (continued)

	CONSOLIDATED	
	31 Dec 2017	30 June 2017
	\$	\$
<b>Segment assets – by product</b>		
Software licenses	2,130,375	3,565,232
Professional services & maintenance services	1,109,774	1,123,365
Product development	122,233	78,443
Other segments	147,493	1,301
	<b>3,509,875</b>	<b>4,768,341</b>
<b>Reconciliation to group assets</b>		
Segment assets	3,509,875	4,768,341
Cash and deposits	4,884,323	2,784,225
Administration and corporate assets	276,108	607,166
Intangible assets arising on consolidation	15,945,772	17,764,772
	<b>24,616,078</b>	<b>25,924,504</b>
<b>Geographical non-current segment assets</b>		
United States	212,882	218,087
Asia/Pacific	12,860	45,268
	<b>225,742</b>	<b>263,355</b>
<b>Segment liabilities – by product</b>		
Software licenses	1,002,654	534,620
Professional services & maintenance services	3,295,089	2,829,479
Product development	74,436	20,000
Other segments	29,790	–
	<b>4,401,969</b>	<b>3,384,099</b>
<b>Reconciliation to group liabilities</b>		
Segment liabilities	4,401,969	3,384,099
Administration and corporate liabilities	429,176	1,246,829
Deferred tax liability arising on consolidation	4,783,731	5,354,798
	<b>9,614,876</b>	<b>9,985,726</b>

# Mach7 Technologies Limited

## Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

#### 4. REVENUE, OTHER INCOME AND EXPENSES

	CONSOLIDATED	
	31 Dec 2017	31 Dec 2016
	\$	\$
<b>(a) Revenue</b>		
Software licence fees	1,478,082	2,475,713
Professional service fees	851,460	407,975
Annual maintenance fees	1,309,161	1,563,104
Subscription (pay-per-use) revenue	208,588	246,843
Other sales revenues	13,916	92,389
	<b>3,861,206</b>	<b>4,786,024</b>
<b>(b) Other income</b>		
Interest income	17,923	12,917
Rental income (sub-tenancy)	–	54,904
R&D tax refund	–	23,325
Bad & doubtful debt recovery	147,493	326,104
Net foreign currency exchange gains	–	179,402
Net gains on fixed asset disposals	–	26,622
Other income	127,051	10,902
	<b>292,467</b>	<b>634,176</b>
<b>(c) Other expenses</b>		
Doubtful debt expenses	192,006	–
Net foreign currency exchange losses	52,006	–
Net losses on fixed asset disposals	31,770	–
	<b>275,782</b>	<b>–</b>
<b>(d) Depreciation and amortisation</b>		
Amortisation of intangible assets	1,821,249	3,171,750
Depreciation of property, plant and equipment	29,671	124,010
	<b>1,850,920</b>	<b>3,295,760</b>

#### 5. CASH AND CASH EQUIVALENTS & FINANCIAL ASSETS

	CONSOLIDATED	
	31 Dec 2017	30 Jun 2017
	\$	\$
Cash at bank and on hand	2,268,064	1,317,994
Cash on deposit (< 3-month terms)	2,206,342	1,366,231
<b>Cash and cash equivalents</b>	<b>4,474,406</b>	<b>2,684,225</b>
<b>Financial assets – cash on deposit (&gt; 3-month terms)</b>	<b>409,917</b>	<b>100,000</b>
<b>Total cash reserves</b>	<b>4,884,323</b>	<b>2,784,225</b>

- (i) Cash on call deposits are made for varying periods of between one day and three months, depending on the immediate cash requirement of the Group, and earn interest at the respective cash on call deposit rates.
- (ii) Includes all cash invested on term deposits that have a maturity date of at least three months since 31 December 2017.

# Mach7 Technologies Limited

## Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

### 6. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	31 Dec 2017	30 Jun 2017
	\$	\$
<b>(a) Trade receivables and accrued revenue</b>		
Trade receivables <sup>(i)</sup>	1,367,145	1,837,340
Less provision for trade doubtful debts	(191,932)	-
Net trade receivables	1,175,213	1,837,340
Accrued revenue <sup>(ii)</sup>	1,803,406	2,941,796
Total trade receivables and accrued revenue	2,978,619	4,779,136
Other receivables (non-trade)	270,728	253,649
Less provision for other doubtful debts	-	(231,188)
Goods and services tax receivable	5,519	10,575
Interest receivable	7,130	2,581
Total other receivables	283,377	35,617
	<b>3,261,996</b>	<b>4,814,753</b>

(i) Trade receivables typically have 0-45day payment terms;

(ii) Accrued revenue represents software license fees which have been recognised as revenue which are yet to be invoiced to the customer in accordance with the payment terms pursuant to the customer contract;

### 7. DEFERRED REVENUE

	CONSOLIDATED	
	31 Dec 2017	30 Jun 2017
	\$	\$
Software support revenue (i)	1,396,399	1,500,312
Advances from customers (ii)	2,235,016	1,355,168
	<b>3,631,415</b>	<b>2,855,480</b>

Terms and conditions relating to the above financial instruments:

(i) Software support revenue represents annual maintenance contracts where payment has been received by the customer in advance (typically customers are billed annually in advance) and revenue is yet to be recognised (revenue is recognised evenly through-out the year).

(ii) Advances from customers represent software licence fees that have been paid for but the revenue is yet to be recognised. This usually relates to services and implementation projects which are still in progress.

Due to the short-term nature (less than one year) of the above deferred revenue balances, their carrying value is assumed to approximate their fair value.



## **8. FAIR VALUE MEASUREMENT**

The carrying amounts of financial assets and financial liabilities approximate their fair values at reporting date. The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis at 31 December 2017 (30 June 2017: Nil).

## **9. CONTINGENT LIABILITIES**

During the previous financial year, the Company novated a finance lease to a third party. The Company continues to act as guarantor for this lease through to the expiry of 15 July 2019. The Company's maximum exposure as guarantor (in the event the third-party defaults on all future lease payments since 31 December 2017) is \$210,363.

Effective 1 July 2017, the Group assigned an operating lease of premises in Australia to a third party (assignee). Under the terms of the lease, the Group remains liable for any terms and conditions in the lease agreement in the event the assignee defaults or is in breach of the lease agreement. This obligation expires on 7 September 2018. The Company's exposure in the case of default of rent and outgoings from 1 January 2018 to 7 September 2018 is \$114,252.

## **10. SUBSEQUENT EVENTS**

The Company is not aware of any subsequent events that have occurred since 31 December 2017 that may materially affect the financial information in this report.

# Mach7 Technologies Limited

## Directors' Declaration

### DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Damien Lim

Chairman

26 February 2018

Singapore

## **INDEPENDENT AUDITOR'S REVIEW REPORT**

### **TO THE MEMBERS OF**

### **MACH7 TECHNOLOGIES LIMITED**

#### **Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Mach7 Technologies Limited and its controlled entities ("the consolidated entity") which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

#### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the consolidated entity are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Mach7 Technologies Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

*Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations act 2001*, which has been given to the directors of Mach7 Technologies Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Mach7 Technologies Limited and its controlled entities is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



**RSM AUSTRALIA PARTNERS**



**R B MIANO**

Partner

Dated: 26 February 2018  
Melbourne, Victoria