2018 ANNUAL REPORT

MACH7 TECHNOLOGIES

Reimagine. Redefine. Reconstruct.

CEO Message to Shareholders

Mike Jackman

Dear Mach7 Shareholders,

I am delighted to present you with Mach7's 2018 annual report and provide an update on where the company is headed in the coming year. We have several exciting new initiatives to drive future growth that I would like to share with you.

Strategy for Growth

Entry into new US market segment

In the last 15 months, Mach7's sales pipeline has grown by >50%, mainly due to our expanded business in the US market. Our customer penetration in the US has traditionally included large academics, health systems and imaging centers. We are now seeing demand and adoption by local and regional hospitals like El Camino Hospital in Mountain View, California, which is in the process of implementing its reconstructed PACS* solution powered by Mach7 Enterprise Imaging Platform. We will continue to target this segment of the US market as facilities of this size tend to have a more streamlined purchase decision process which shortens the buying cycle.

Global markets

The company continues to reach into new global markets through strategic partnerships with distributors and value-added resellers.

Product expansion

Besides distributors and targeted customers, we have decided to expand Mach7's potential market by increasing the range of solutions the company provides. The market has traditionally known Mach7 as a "VNA* company," and through leveraging our talented team and our strategic partnerships, we are increasing the size of our potential market by offering a PACS replacement solution utilizing an innovative reconstructed architecture and further building upon our ecosystem of applications with connected health and artificial intelligence (AI) solutions. The PACS replacement market represents huge potential for Mach7 in the coming years, and I'm excited that we're now able to take full advantage of it.

Both product expansion and new market entries have increased Mach7's addressable market, several research firms predicting the PACS/RIS* market to reach US $3.9 billion by 2024.

New Marketing Strategy

In support of our new growth strategy, we are making efforts to change how we talk about what Mach7 does for our customers. In addition to our innovative technology, we are moving towards emphasizing the outcomes that our products deliver to the market.

The Mach7 platform provides a secure, interoperable foundation to standardize and streamline healthcare IT (HIT). The platform ensures the future of our customers' healthcare data needs by providing a neutral foundation that can accommodate and integrate with any healthcare enterprise IT expansion, eliminating the need for long and expensive overhauls in the future.

Currently, the market knows Mach7 for its

Enterprise Solutions, which consists of the Mach7 VNA and advanced communications workflow engine. In the near term, we will communicate to the market that Mach7 can deliver a complete modernized PACS and enterprise imaging strategy, resulting in cost savings, efficiency gains and improved clinical outcomes.

To do this, we are actively positioning our new and current products and placing them under four distinct categories of solutions:

- **Enterprise Solutions**, including VNA (the Mach7 Platform)
- **Diagnostic Solutions**, including PACS
- **Connected Health Solutions,** focusing on interoperability
- **Artificial Intelligence (AI) Solutions**, focusing on operational analytics

Our four solution segments are targeting markets in HIT predicted to experience strong growth during the next five years, with the PACS replacement market predicted to grow to US $3.9 billion, medical imaging AI to US $2.5 billion, and connected healthcare to a huge US $150 billion by 2024. Actively engaging in these market segments along with enterprise imaging opens great potential growth opportunities for Mach7 in the coming years.

Leveraging Partnerships

We continue to leverage our strategic partnerships to deliver the best possible value to our customers and enhance Mach7's market position and growth opportunities. In May, we signed a partnership agreement with Client Outlook to sell their eUnity diagnostic and enterprise viewers alongside the Mach7 platform. eUnity is one of the best diagnostic-quality smart viewers on the market today and provides Mach7 with a complete PACS replacement solution.

To better enable connected healthcare, Mach7 has partnered with SirenMD for its innovative application that provides care coordination capabilities to physicians and other providers in a patient's circle of care. While originally envisioned as a solution for sports medicine, the potential of SirenMD in other healthcare applications is great, and Mach7 is excited to be working with their team on further product development.

Mach7 has partnered with several firms including EnvoyAI, Zebra Medical Vision, and Leben Care Technologies to build an ecosystem of sophisticated AI algorithms that plug into the Mach7 platform and provide new clinical tools to help care providers. These partnerships and many others provide our customers with the ability to connect and leverage the valuable data in the Mach7 platform.

In addition, Mach7 has partnered with IDS, an industry leader in cloud-based health information management services, to bring enterprise content management (ECM) to the Mach7 platform. Enabling ECM adds intelligent document workflows to the Mach7 platform, making the sharing of non-image documents easier and enhancing efficiency for care providers.

RSNA 2018

The annual Radiological Society of North America (RSNA) trade show in Chicago is fast approaching, and we have been working hard to ensure Mach7 is ready to unveil its new strategy there. We are excited to have the opportunity to officially reveal our diagnostic, connected health, and AI solutions to go along with our well-known enterprise solutions. The event, which runs from November 25-30 at McCormick Place in Chicago, is the largest radiology exposition in the world, with nearly 700 companies of all sizes being represented.

Conclusion and Outlook

The HIT market is dynamic and continues to evolve. Mach7 is adapting to this evolution by providing innovative, simple solutions to complex problems and capturing new market opportunities. We are excited and optimistic about Mach7's future in leading lasting change in the healthcare market and improving the lives of patients and care providers alike.

I look forward to continuing to share periodic updates with you and thank you for your continued support.

Sincerely,

Mike Jackman
CEO

*Commonly used terms:
PACS = Picture Archive Communication System
VNA = Vendor Neutral Archive
RIS = Radiology Information System

MACH7 TECHNOLOGIES

Annual Report 2018

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Mach7 Technologies Limited

Directors' Report

YEAR ENDED 30 JUNE 2018

Your directors submit their report for the year ended 30 June 2018.

Directors and Company Secretary

The following persons were Directors or Company Secretary of the Company at any time during the current financial year, or since 30 June 2018 up to the date of this report:

Mr Damien Lim	Non-Executive Chairman
Mr Michael Jackman	Managing Director (since 25 September 2017) and CEO (since 1 August 2017)
Dr Nigel Finch	Non-Executive Director (Retired 3 August 2018)
Mr Nobuhiko Ito	Non-Executive Director (Retired 3 August 2018)
Mr A. Wayne Spittle	Non-Executive Director
Eliot Siegel, MD	Non-Executive Director (Appointed 3 August 2018)
Mr David Chambers	Non-Executive Director (Appointed 3 August 2018)
Ms Alyn Tai	Company Secretary (Ceased 1 May 2018)
Ms Jennifer Pilcher	Company Secretary (Appointed 1 May 2018)

Information of directors

Directors' and the Company Secretary qualifications, experience, special responsibilities and period in office are set out in the section of this document entitled "Board of Directors and Company Secretary" on pages 76-77.

Directors' relevant interest in Mach7 Technologies Limited securities

The directors' interests in the shares and options of Mach7 Technologies Limited at 30 June 2018 were:

Director	Ordinary Shares No.	Options No.	Performance Rights No.
Dr Nigel Finch	682,598	308,333	-
Mr Nobuhiko Ito	952,419	308,333	-
Mr Damien Lim#	350,000	308,333	-
Mr A. Wayne Spittle	250,000	308,333	-
Mr Michael Jackman	1,391,856	-	6,207,978

In addition to the shareholding of Mr Lim, 11,372,898 held by BV Healthcare II Pte Ltd, an investment fund of which Mr Lim is a Principal.

Directors' meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director are as follows:

	Board		Audit & Risk Management Committee		Remuneration & Nomination Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Damien Lim	7	7	-	-	1	1
Michael Jackman	5	5	-	-	-	-
Nigel Finch	7	7	2	2	1	1
Nobuhiko Ito	7	4	2	1	-	-
Wayne Spittle	7	6	2	2	1	1

Directors' Report

YEAR ENDED 30 JUNE 2018

Committee membership

As at the date of this Report, the Group had an Audit & Risk Management Committee and a Remuneration & Nomination Committee. Members acting on the committees of the Board during the year were:

	Audit & Risk Management	Remuneration & Nomination
Damien Lim	–	Chair
Nigel Finch*	Chair	Member
Wayne Spittle	Member	Member
Nobuhiko Ito*	Member	–

*Retired as of 3 August 2018

Dividends

Mach7 Technologies Limited did not declare or pay any dividends during the financial year (2017: nil).

Principal activities

The principal activity of the Group during the year was the provision of enterprise imaging data sharing, storage and interoperability for healthcare enterprises globally.

Operating and financial review

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

- Financial position
- Review and results of operations
- Business strategies and prospects for future years
- Business risks to achieving corporate strategy
- Going concern

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

Financial position

The following table provides a snapshot of important balances from the Group's statement of financial position as at 30 June:

CONSOLIDATED	As at 30 June 2018	As at 30 June 2017	Movement
	$	$	%
Cash (including all cash deposits)	2,504,587	2,784,225	(10%)
Deferred revenue – yet to be recognised	(2,715,538)	(2,855,480)	(5%)
Net current assets / (liabilities)	2,503,373	3,253,092	(23%)
Net tangible assets	2,995,615	3,424,995	(13%)
Intangible assets	14,217,807	17,843,215	(20%)
Deferred tax liability arising on intangible assets	(2,966,622)	(5,329,432)	(44%)
Net assets	14,246,800	15,938,778	(11%)

Operating and financial review (continued)

Cash & cashflows

The Group reported cash balances as at 30 June 2018 of $2.5 million (2017: $2.8 million). During the current year, the Group spent a net $2.2 million on operations (2017: $5.2 million). This was a significant improvement (+$3 million, +58%) in cash utilisation for the current year. The Group's cash on hand at 30 June 2018 is more than it spent on operations during the year. The net spend on operations was largely funded by a capital raising of $2 million which occurred during the year.

Deferred revenue

The Group's deferred revenue balance decreased by 5% to $2.7 million from the prior year (2017: $2.9 million). Deferred revenue represents cash amounts that have been collected from customers that will be recognised as revenue as and when the professional services and/or support services are performed. The Group would expect to fully convert this balance to revenue during the next financial year, however it would likely be replaced with new contract wins.

Net current assets

The Group reported positive net current assets at 30 June 2018 of $2.5 million (2017: $3.3 million). The decrease in net current assets of -23% can be attributed to the fall in accrued revenue ($0.7 million). Accrued revenue represents software fee revenue which has been recognised in accordance with accounting standards – but where the cash is not yet due to be received from the customer. This balance becomes accounts receivable once the contractual terms for payments are met and is then subsequently collected. The Group would expect to collect this balance during the next financial year, however it would likely be replaced with new contract wins.

Net tangible assets (NTA)

The Group reported positive net tangible assets at 30 June 2018 of $3.0 million (2017: $3.4 million). The decrease in NTA of -13% is a result of factors mentioned in the above section (net current assets).

Net assets

The Group reported positive net assets balance at 30 June 2018 of $14.2 million (2017: $15.9 million). The decrease in net assets of -11% can be attributed to the amortisation of intangible assets and associated deferred tax liability.

Review and results of operations

Revenue from continuing operations

The Group reported revenue from operations for the current year of $8.6 million (2017: $10.3 million). A breakdown of revenues by category and region are shown in tables 1a and 1b below:

Table 1b. Sales revenues by region

CONSOLIDATED	2018	2017	Movement
	$	$	%
United States	**7,641,678**	6,781,754	13%
Middle East	**661,299**	2,658,006	(75%)
Asia/Pacific	**236,298**	530,499	(55%)
Europe and rest of world	**105,070**	298,673	(65%)
TOTAL	8,644,345	10,268,931	(16%)

Operating and financial review (continued)

Table 1a. Sales revenues by category

CONSOLIDATED	2018	2017	Movement
	$	$	%
Software licence fees	**3,238,150**	5,724,889	(43%)
Professional service fees	**2,117,963**	1,050,472	102%
Support maintenance fees	**3,007,027**	2,962,661	1%
Subscriptions (pay-per-use)	**281,205**	502,993	(44%)
3D printed models	**–**	27,916	(100%)
TOTAL	**8,644,345**	10,268,931	(16%)

The decrease in revenues of -16% can be attributed to a change in product mix sold, where 2018 included one particularly large services-based sales order which is recognised over time, and the recognition of a particularly large contract in the Middle East in the prior year.

Overall, from a sales orders perspective, the Group achieved 10% growth over the prior year. This growth is emerging from "same store sales" (sales to existing customers) as well as new customer wins.

United States
Mach7's major market is the United States (US). Revenues from the US increased by 13% (16% growth when calculated in USD, the underlying currency) to $7.6 million for the current year (2017: $6.8 million). Much of this growth has been from professional service fees. This is a result of a large migration services contract won during the year which has begun, and one significant large customer installation which was virtually completed during the current year. Going forward, professional services fees will continue to be an important revenue generator for the Group.

Rest of world
In other regions, notably the Middle East, revenues have fallen compared to the prior year. This was largely due to two factors. Firstly, one large deal in the Middle East was fully recognised (software fees) upon completion in the prior year - which had been ongoing over several years preceding that; secondly, there was a gap in the provision of support services for a period of time during the current year, which meant support fees for this customer were less than the prior year. Support has since fully recommenced. This also explains the overall decrease in software revenue for the Group. In addition, but for the support suspension, the Group would have reported a greater increase (approximately 8%) of support fee revenue.

Contracted Annual Recurring Revenue (CARR)
CARR is a very important indicator for the Group, representing the amount of annual recurring support and maintenance fees that are currently under contract. CARR has increased by 24% to $5.3 million at 30 June 2018. This means, once all customers reach "first productive use" (FPU) stage, the Group will recognise $5.3 million annually in support fees from its existing customers. Typically, every new sales order will add to this balance.

Operating and financial review (continued)

Operating expenses from continuing operations

The Group reported operating expenditure for the year of $11.6 million (2017: $14.6 million). Operating expenses have decreased by 21% for the current year. Expenses decreased across all categories of expenditure for the current year. This is a result of a concerted effort to focus resources on sales and core operations, reduce overheads, and the divestment of the 3D Medical business. Operating expenditure by category is shown table 2 below:

Table 2. Operating expenses

CONSOLIDATED	2018	2017	Movement
	$	$	%
Employee salaries, benefits & staff-related expenses	**9,069,748**	10,307,258	(12%)
Corporate and professional fees	**491,482**	1,071,180	(54%)
Marketing expenses	**499,029**	659,796	(24%)
Travel and related expenses	**429,001**	679,156	(37%)
Administration, insurance and other	**736,093**	1,008,631	(27%)
Distributor expenses and license fees	**352,562**	856,564	(59%)
Total	**11,577,916**	14,582,585	(21%)

Net loss after tax

The Group reported a net loss after tax of $5.0 million for the year (2017: net loss of $17.7 million). This represented a reduction in losses of 72%, compared to the previous financial year. The main reason for this reduction, over and above the improvements to earnings discussed below, is the reduction in amortisation expenses, impairment charges, and income tax benefits - all of which are related to intangible assets, compared to the previous year.

The Group reported earnings before interest expense, tax, depreciation, amortisation and share-based payments expense (non-cash) ("adjusted EBITDA") loss of $2.6 million for the current financial year ending 30 June 2018 (2017: loss of $4.2 million). This represented a reduction in adjusted EBITDA losses of 38%, compared to the previous financial year, and is outlined in table 3 below:

Table 3. Adjusted EBITDA and net loss after tax

CONSOLIDATED	2018	2017	Movement
	$	$	%
Revenues	**8,644,345**	10,268,931	(16%)
Operating expenses	**(11,577,916)**	(14,582,585)	(21%)
Other income / (expenses) net	**296,318**	91,163	225%
EBITDA loss (adjusted)	**(2,637,253)**	(4,222,491)	(38%)
Share-based payments expense (non-cash)	**(967,138)**	(454,495)	113%
Interest expense	**(11,348)**	(239,578)	(95%)
Depreciation and amortisation charges (non-cash)	**(3,700,467)**	(6,262,660)	(41%)
Impairment charge (non-cash)	-	(11,675,171)	(100%)
Income tax benefit (non-cash)	**2,362,810**	5,195,297	(55%)
Net loss after tax	**(4,953,396)**	(17,659,098)	(72%)

Directors' Report

Operating and financial review (continued)

The improvement in adjusted EBITDA is largely a result of a reduction in operating expenditure, together with an increase in other income. Other income includes certain cost recoveries from third parties and effectively offsets against operating expenditure.

Capitalised expenditure

It is important to note that the Group does not capitalise any of its software development costs, and carries no capitalised expenditure of any kind on its balance sheet. This has resulted in the Group taking longer to reach break-even or profitability than it otherwise might have (had it capitalised expenditure), however it will also mean that future profits will be maximised and will not be impacted by costs that have been incurred in prior years.

Business strategies and prospects for future years

Management continues to focus its resources on the US market, where it is achieving good growth. The US market is being targeted through a combination of direct sales and inside sales which target sales to existing customers. The new commercial strategy includes the addition of sales through and ecosystem of partners, which include application partners integrated to the Mach7 platform, value-added resellers, distributors, and sales consultants.

The Group has also expanded its product offering through collaborations. During the year, Mach7 has added care coordination, artificial intelligence, RIS, Document Management and enterprise viewing solutions to its current product portfolio, via important partnerships.

The Group continues to invest heavily in internal product development and innovation to drive entry into new markets, with approximately 32% of revenues being reinvested. Investment in research and development is focused on expanding capabilities on Group core intellectual property to address broader market opportunities. These expanded capabilities are customer focused, enabling operational efficiencies and new revenue streams not possible with legacy technologies available on the market. With this investment in product development, Mach7 is better able to compete in the Picture Archive Communications Systems (PACS) market. The PACS market is recently reported to be at least $3.8bn world-wide with double digit annual growth.

Asia and the Middle East continue to be important sources of business for the Group. Sales orders from these regions are typically larger in size, and less frequent, however we have a strong value proposition for this market and opportunities are very lucrative when won. The Group is currently progressing several larger opportunities in these regions.

The Group continues to increase its presence and activity elsewhere in the world through indirect channel partners. Initial markets under development outside USA include Latin America, South East Asia, Netherlands and UK. Demand continues to grow for Mach7 solutions to address imaging challenges worldwide.

Key business risks

The Group's operations are subject to a number of risks. The Board, through its Audit and Risk Management Committee, regularly reviews the possible impact of these risks and seek to minimise this impact through a commitment to its corporate governance principles and its various risk management functions. A number of specific risk factors that may impact the future performance of the Company are described below.

Operating and financial review (continued)

Shareholders should note that this list is not exhaustive, and only includes risks that could affect the Group's financial prospects, taking into account the nature and business of the Group and its business strategy.

(a) Commercialisation and new technology risk
The principal activity of the Group is the provision of enterprise imaging data storage sharing, storage and interoperability for healthcare enterprises. There is a risk that the Group will be unable to attract sufficient customers to be sufficiently profitable to fund future operations. In addition, commercial success of new technology is subject to inherent uncertainty due to unknown variables.

(b) Competition and new technologies
The industry in which the Group is involved is subject to increasing domestic and global competition which is fast-paced and fast-changing. Whilst the Group will undertake all reasonable due diligence in its business decisions and operations, it will have no influence or control over the activities or actions of its competitors, whose activities or actions may positively, or negatively affect the operating and financial performance of its business. For instance, the image management platform may be superseded by new and cheaper technology creating competitive pressures, in which case, the Group's revenues and profitability could be adversely affected.

(c) Risks associated with the regulatory environment
The Group operates in a highly regulated market both in Australia and internationally. Success can be impacted by changes to the regulatory environment. Mach7 continues to monitor changes and proposed changes to the regulatory environment to which it is exposed.

Risk management

The Board takes a proactive approach to risk management. The Board, which as a whole performs the function of an Audit and Risk Management Committee, is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Group's objectives and activities are aligned with the risks and opportunities identified by the Board.

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the Group.

Events occurring after balance date

There have been no significant events occurring after balance date that would materially impact these financial statements.

Likely developments and expected results from operation

The Group will continue to announce material contract wins as and when they occur. In addition, it will aim to grow its revenues from smaller product sales which the Group will endeavour to keep the market updated. The Group will continue its product development strategy to ensure its product is at the forefront of medical imaging software to meet the customers' needs.

Environmental regulation

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Remuneration Report (Audited)

This Remuneration Report forms part of the Directors' Report and outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purposes of this report, key management personnel (KMP) are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group.

This report has been divided into the following sections:

- Details of key management personnel during the year
- Service (employment) agreements
- Principles used to determine remuneration
- Frameworks for setting director and executive compensation
- Short-term incentive program (STIP) details
- Long-term Incentive program (LTIP) details
- Remuneration granted to key management personnel
- Shares issued upon options being exercised by KMPs
- Other transactions with KMPs
- Shareholder voting of the Remuneration Report

Key Management Personnel (KMP) covered in this report:

Directors	Role	Period covered
Damien Lim	Non-Executive Chairman	Full Year
Michael Jackman	Managing Director and Global CEO	1 August 2017 to 30 June 2018
Dr Nigel Finch	Non-Executive Director	Full Year
Nobuhiko Ito	Non-Executive Director	Full Year
A. Wayne Spittle	Non-Executive Director	Full Year
Executives		
Ravi Krishnan	Founder, Chief Strategy Officer	Full Year
Mike Lampron	Chief Operating Officer	Full Year
Jenni Pilcher	Chief Financial Officer	Full Year
J. Eric Rice	Chief Technology Officer	Full Year

Remuneration report (continued)

Service agreements

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

Component	Requirement	Applicable to
Fixed remuneration	Range $250k to $525k	All executives
Contract duration	Ongoing	All executives
Termination of employment (without cause) by Company or by individual	3 – 6 months' notice	All executives
Termination of employment (for cause)	Terminated immediately	All executives
Change of control*	At least (30) days' notice, and one year's base salary	CSO and Founder, CTO and COO

**Change of Control is defined as a sale of more than 50% of the voting shares in the Company, or a sale of substantially all the assets of the Company.*

Principles used to determine the nature and amount of remuneration

The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms to the market best practice for the delivery of reward.

The Board of Directors ('the **Board**') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

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

The Board has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Company. The framework is designed to:

(a) ensure that coherent remuneration policies and practices are observed which enable the attraction and retention of directors and management who will create value for shareholders;

(b) fairly and responsibly reward directors and senior management having regard to the Group's performance, the performance of the senior management and the general pay environment; and

(c) comply with all relevant legal and regulatory provisions

Remuneration report (continued)

In accordance with best practice corporate governance, the structure of Non-Executive Directors and executive remunerations are separate.

Non-executive directors' remuneration framework

All non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the board policies and terms, including remuneration, relevant to the office of director.

Fees and payments to Non-Executive Directors reflect the demands and responsibilities of their role. Non-Executive Directors' fees and payments are reviewed annually by the Board. The Board may, from time to time, seek advice from independent remuneration consultants to ensure Non-Executive Directors' fees and payments are appropriate and in line with market standards. Remuneration for Non-Executive Directors (NEDs) may contain any or all of the following:

- Annual fees, reflecting the value of the individual's personal performance, time commitment and responsibilities of the role;
- Equity based remuneration, issues of shares or securities, reflecting the contribution of the Director toward the Group's medium and long term performance objectives (each award is subject to shareholder approval);
- Other benefits required by law, for example, superannuation payments.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. Following the adoption of a new Company Constitution on 31 March 2017, the aggregate remuneration for all non-executive directors has been set at a maximum amount of $500,000 per annum under clause 50 (a) of the Company's Constitution.

The fees awarded to Directors are as follows:

	From 1 Nov. 2017	From 1 May 2017	From 1 April 2016
Base fee			
Chair	$25,000	$80,000	$100,000
Director	$20,000	$40,000	$50,000
Additional fees			
Chair of a committee	Nil	Nil	$5,000

Executive remuneration framework and link to performance

The Consolidated Entity aims to reward executives with a level and mix of remuneration based on their position and responsibility, which has both fixed and variable components. The executive remuneration and reward framework has six main components all of which constitute the executive's total remuneration:

<u>Fixed remuneration:</u>

1) Annual base salary
2) Benefits in compliance with local laws including annual leave, sick leave, long service leave, medical insurance, and superannuation payments
3) Sign on bonuses
4) Termination payments reflecting contractual and legal obligations

Remuneration report (continued)

Performance-based remuneration:

5) Bonuses to reward individuals following an outstanding business contribution having regard to clearly specified performance targets
6) Sales commission (sales executives only)
7) Equity based remuneration, reflecting the Group's medium and long term performance objectives.

Fixed remuneration

Fixed remuneration for key management personnel is reviewed annually by the Board (via its Nomination and Remuneration Committee). Fixed remuneration is set with reference to the skills, experience and performance of the individual performing the role, comparable market remunerations for the role being performed, and the overall size and financial position of the Group as a whole.

Performance-based remuneration

The short-term incentive program (**STIP**) is designed to align the targets of the both the Group as a whole, and individual business units, with the targets of those executives responsible for meeting those targets. STI payments are granted to executives based on the achievement of specific annual targets and key performance indicators (**KPI's**). KPI's can include (but are not necessarily limited to the following elements:

- Achievement of revenue targets;
- Growth measured with reference to the Group's market capitalisation;
- Adherence to budgeted expenditure levels and authority procedures;
- Excellence in customer service and satisfaction;
- Leadership contribution;
- Product development;
- Corporate transactions

The STIP was most recently approved by the Board in April 2016.

The long-term incentives program (**LTIP**) includes both long service leave and issues of equity instruments such as shares and options. Option awards typically vest over a period of between one and three years, expire within five years and have an exercise price that includes a premium to the market price as at the date of issue. The most recent LTI program was approved by shareholders on 31 March 2016.

Further information on the STIP and LTIP is the following sections of this report.

Statutory performance indicators

We aim to align our executive remuneration to our strategic and business objectives, which will ultimately lead to the creation of shareholder wealth. The table below shows the measures of the group's financial performance over the last five years as required by the Corporations Act 2001. However, this Group has undergone two mergers/acquisitions during this period and therefore the prior year data is not necessarily relevant. In addition, basic earnings per share and share price data has been adjusted for stock splits at 1/10 in December 2014 and January 2017:

Remuneration report (continued)

	30 June 2018	30 June 2017	30 June 2016	30 June 2014	30 June 2013
Loss for the year	(4,953,396)	(17,659,098)	(12,629,483)	(6,909,809)	(302,272)
Basic loss per share (cents)	(3.9)	(16.3)	(24.1)	(36.0)	(5.0)
Improvement in basic loss cents per share	12.4	7.8	11.9	(31)	–
Dividend payments	–	–	–	–	–
Dividend payout ratio (%)	–	–	–	–	–
Share price (cents)	21	16	34	94	70
% change in share price	+31%	-53%	-64%	+34%	+133%
ASX symbol	M7T	M7T	M7T	3DM	SFP

Short-Term Incentive Program (STIP)

Description of the plan

The STIP is an annual incentive plan under which senior executives are eligible to receive an annual award if they satisfy challenging strategic, operational and individual performance targets. Senior executives will be entitled to a STIP award up to a maximum fixed percentage of their annual fixed remuneration. The maximum amount will differ between individuals, but does not exceed 50% of annual fixed remuneration.

Appropriate STIP incentive

The STI plan is designed to motivate and reward high performance. It puts a significant proportion of the executive's remuneration at-risk against targets linked to the Group's performance objectives, thereby aligning executive's interests with shareholders.

Performance period

1 July 2017 to 30 June 2018.

Performance conditions

No specific performance conditions were set for the current financial year.

Choice of performance conditions

The choice of performance conditions for the STIP will be relevant to the Group in its current phase of growth as it embarks towards achieving profitability and becoming cash flow positive. The Directors believe these targets are most closely aligned with growing shareholder value. In addition, the performance conditions will be set with relevance to the individuals' role, such that the person is appropriately incentivised and motivated to achieve the best they can.

Remuneration report (continued)

Assessment of performance conditions

For non-financial and individual targets, the Board assesses the personal performance of each executive against the non-financial and personal performance of other Executives and makes recommendations to the Remuneration and Nomination Committee in relation to the payment of any STI. The Remuneration and Nomination Committee review these recommendations and endorse the level of the STI to be paid for Board approval.

Delivery of the STIP

Two executives have the following delivery conditions for STI payments:

The amount of the bonus payable in cash shall be equal to at least 50% of the bonus awarded (or such greater amount approved by the Board) and the remainder shall be payable in stock of Mach7 Technologies Ltd, the price of which shall be determined with reference to the 30 day volume weighted average stock price up to and including the date of Board approval. The bonus under the STIP shall be payable only if certain agreed key performance indicators are met and approved by Board. Any bonus under the STIP shall be payable during the two month period following the end of the applicable performance period and only if executive remains employed by the Group through the date of such payment.

It is envisaged that the above policy will be applied to all other executives.

Cessation of employment

Two executives in the Group have the following STIP clause within their service contract: - if the Group terminates the executive's employment without cause, the Company's obligation to the executive pertaining to any bonus payment under the STIP for the year in which the termination occurs is based on actual performance and prorated based on the number of days in the performance period in which the executive is employed. The bonus is paid during the two month period following the end of the applicable performance period, less such deductions as the Group is required to make under applicable law and regulations.

All other senior executives must remain employed with the Group in a full-time or permanent part-time position for the duration of the performance period to be eligible to receive the STI Payment. The Board reserves the right to determine the treatment of any award that is granted to an Executive under the STI Plan rules.

STI outcomes in the current year

No STI were awarded during the current financial year.

Remuneration report (continued)

Long-Term Incentive Program (LTIP)

Description of the plan

An incentive plan under which senior executives are eligible to receive an award of performance rights, equity options or shares that are linked to the achievement of targets related to the Group's medium to long-term performance.

Performance period

The performance conditions must be satisfied in order for performance rights or equity options to vest. Performance conditions can include time-based conditions, whereby the holder must remain employed by the Group through to vesting date. Each performance right or equity option entitles the holder to acquire one share in the Company for a stated exercise price, subject to meeting specific performance conditions.

The performance rights and equity options do not carry rights to dividends or voting.

Cessation of employment

If a senior executive or non-executive director ceases to be employed or engaged by the Group for any reason other than as a result of a Qualifying Event, any performance rights and equity options held by the participant, whether vested or not, will lapse immediately on the participant ceasing to be employed.

A Qualifying Event means:

- Death;
- Serious injury, disability or illness which prohibits continued employment;
- Retirement or retrenchment; or
- Such other circumstances which the Board determines to be a Qualifying Event.

Where a participant in the LTIP scheme ceases to be employed by the Group as a result of a Qualifying Event, the Board may, in its absolute discretion, make a determination as to whether some or all of those performance rights or equity options become vested at the time of the cessation of employment of the participant or another date determined by the Board.

Restrictions on dealing in company securities

A senior executive or non-executive director in receipt of equity options must not sell, transfer, encumber, hedge or otherwise deal in equity options. A senior executive or non-executive director in receipt of LTI equity options will be free to deal with the shares allocated on vesting of those options, subject to the requirements of the Group's policy for dealing in securities. In the event of a change of control, the Board has discretion to determine that the vesting of some or all of a non-vested performance rights and equity options should be accelerated. Any remaining unvested performance rights or options will immediately lapse.

Remuneration report (continued)

Amounts of remuneration

Table 1: Remuneration for KMP for the years ended 30 June 2018 and 30 June 2017

	Short term				Post-employment	Equity-based payments		Total	Performance related
	Salary & Fees	Cash Bonus	Non-monetary Benefits	Other	Superannuation Contributions	Options	Shares		
	$	$	$	$	$	$	$	$	%
Directors									
Damien Lim - Chairman									
2018	**10,000**	**-**	**-**	**-**	**-**	**29,089**	**22,006**	**61,095**	**0%**
2017	102,917	-	-	-	-	21,438	-	124,354	0%
Mike Jackman - CEO, Managing Director (i)									
2018	**430,886**	**38,780**	**16,079**	**-**	**-**	**610,006**	**-**	**1,095,751**	**0%**
2017	-	-	-	-	-	-	-	-	0%
Dr Nigel Finch									
2018	**10,000**	**-**	**-**	**-**	**-**	**29,089**	**-**	**39,089**	**0%**
2017	53,750	-	-	-	-	21,438	-	75,188	0%
Nobuhiko Ito									
2018	**10,000**	**-**	**-**	**-**	**-**	**29,089**	**11,003**	**50,092**	**0%**
2017	49,167	-	-	-	-	21,438	-	70,604	0%
Wayne Spittle									
2018	**8,843**	**-**	**-**	**-**	**1,157**	**26,026**	**-**	**36,026**	**0%**
2017	49,167	-	-	-	1,979	7,508	-	58,654	0%
Albert Liong (ii)									
2018	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**0%**
2017	391,994	-	25,278	395,903	4,605	-	-	817,779	0%
Sub-total Directors									
2018	**469,729**	**38,780**	**16,079**	**-**	**1,157**	**723,299**	**33,009**	**1,282,052**	**0%**
2017	646,994	-	25,278	395,903	6,584	71,821	-	1,146,579	0%

Directors' Report

YEAR ENDED 30 JUNE 2018

Remuneration report (continued)

Table 1: Remuneration for KMP for the years ended 30 June 2018 and 30 June 2017 (continued)

	Short term				Post-employment	Equity-based payments		Total	Performance related
	Salary & Fees	Cash Bonus	Non-monetary Benefits	Other	Superannuation Contributions	Options/ Rights	Shares		
	$	$	$	$	$	$	$	$	%
Executives									
Ravi Krishnan									
2018	**301,003**	**-**	**-**	**-**	**15,735**	**46,446**	**-**	**363,183**	**0%**
2017	300,495	-	-	-	15,534	20,671	-	336,701	0%
Mike Lampron (iii)									
2018	**261,763**	**-**	**22,411**	**8,314**	**-**	**15,272**	**-**	**307,760**	**3%**
2017	60,686	-	5442	-	-	-	-	66,128	0%
Jenni Pilcher									
2018	**300,000**	**-**	**-**	**-**	**28,500**	**59,696**	**-**	**388,196**	**0%**
2017	300,000	135,000	-	-	41,325	61,154	15,000	552,479	0%
J. Eric Rice									
2018	**278,154**	**-**	**22,055**	**-**	**5,494**	**48,627**	**-**	**354,331**	**0%**
2017	265,182	-	22,139	-	5,304	20,671	-	313,296	0%
Sub-total Executives									
2018	**1,140,920**	**-**	**44,467**	**8,314**	**49,729**	**170,041**	**-**	**1,413,470**	**0%**
2017	926,363	135,000	27,581	-	62,163	102,497	15,000	1,268,604	0%
Grand totals									
2018	**1,610,649**	**38,780**	**60,546**	**8,314**	**50,886**	**893,339**	**33,009**	**2,695,522**	1%
2017	1,573,357	135000	52,859	395,903	68,747	174,318	15,000	2,415,183	0%

(i) Mike Jackman was appointed 1 August 2017

(ii) Albert Liong resigned on 1 May 2017

(iii) Mike Lampron was appointed 27 March 2017

The amounts included in Table 1 above in respect of options and rights under the equity-based payments component of remuneration, represents the amortisation over the expected life of the option or right of the fair value of the option or right at date of grant. The fair value of the cash settled options is measured at the grant date using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the instruments were granted.

Options provided as compensation

Tables 2 and 3 below discloses the number of share options granted to executives during the current and prior financial years. Share options are options over ordinary shares in Mach7 Technologies Limited, do not carry any voting or dividend rights, and only can be exercised once the vesting conditions have been met until their expiry date.

Remuneration report (continued)

Table 2: Compensation options: granted and vested during the year

2018	Granted (No.)	Grant date	Fair value per option at grant date*	Exercise price*	Expiry date	Vesting date	Vested during year (No.)	% Vested of holding
Directors								
Damien Lim	183,333	11-Dec-17	$0.148	$0.23	11-Dec-22	Note 1	33,333	11%
Dr Nigel Finch	183,333	11-Dec-17	$0.148	$0.23	11-Dec-22	Note 1	33,333	11%
Nobuhiko Ito	183,333	11-Dec-17	$0.148	$0.23	11-Dec-22	Note 1	33,333	11%
A. Wayne Spittle	183,333	11-Dec-17	$0.148	$0.23	11-Dec-22	Note 1	33,333	11%
Executives								
Ravi Krishnan	200,000	03-Nov-17	$0.107	$0.17	03-Nov-22	Note 2	113,334	21%
Michael Lampron	350,000	03-Nov-17	$0.107	$0.17	03-Nov-22	Note 2	–	–
Jenni Pilcher	200,000	03-Nov-17	$0.107	$0.17	03-Nov-22	Note 2	213,334	29%
Eric Rice	250,000	03-Nov-17	$0.107	$0.17	03-Nov-22	Note 2	113,334	19%
Total	**1,733,332**						**573,334**	**18%**
2017								
Directors								
A. Wayne Spittle	125,000	9-Dec-16	$0.246	$1.00	9-Dec-21	9-Dec-18	–	–
Executives								
Ravi Krishnan	340,000	27-Jan-17	$0.236	$0.41	27-Jan-22	Note 2	–	–
Jenni Pilcher	340,000	27-Jan-17	$0.236	$0.41	27-Jan-22	Note 2	100,000	–
J. Eric Rice	340,000	27-Jan-17	$0.236	$0.41	27-Jan-22	Note 2	–	–
Total	**1,145,000**							

Note 1: 33,333 vest 11 Dec. 2017, remaining 150,000 vest in equal instalments – being 1/3 each anniversary of grant date.
Note 2: Vest in equal instalments – being 1/3 each anniversary of grant date.

Table 3: Options granted as part of remuneration during the year

	Value of options granted during the year	Value of options exercised during the year	Value of options forfeited during the year
	$	$	$
Directors			
Damien Lim	27,133	–	–
Dr Nigel Finch	27,133	–	–
Mr M Jackman	–	–	–
Nobuhiko Ito	27,133	–	–
A. Wayne Spittle	27,133	–	–
Executives			
Ravi Krishnan	21,400	–	–
Michael Lampron	37,450	–	–
Jenni Pilcher	21,400	–	–
J. Eric Rice	26,750	–	–
Total	**215,533**	**–**	**–**

Remuneration report (continued)

Remuneration mix

Table 4 below provides information on relative proportion of the components of remuneration for KMPs for the both the current and prior financial years.

Table 4: Relative percentages of remuneration and performance awards

	% Fixed		% Short-term Incentive (STI)		% Options/Shares		% STI Awarded	% STI Forfeited
	2018	2017	**2018**	2017	**2018**	2017	**2018**	**2018**
Directors								
Damien Lim	**16%**	83%	**–**	–	**84%**	17%	**–**	**–**
Mike Jackman	**44%**	–	**–**	–	**56%**	–	**–**	**–**
Dr Nigel Finch	**26%**	71%	**–**	–	**74%**	29%	**–**	**–**
Nobuhiko Ito	**20%**	70%	**–**	–	**80%**	30%	**–**	**–**
A. Wayne Spittle	**28%**	87%	**–**	–	**72%**	13%	**–**	**–**
Albert Liong	**–**	100%	**–**	–	**–**	–	**–**	**–**
Executives								
Ravi Krishnan	**87%**	94%	**–**	–	**13%**	6%	**–**	**–**
Mike Lampron	**95%**	100%	**–**	–	**5%**	0%	**–**	**–**
Jenni Pilcher	**85%**	62%	**–**	27%	**15%**	11%	**–**	**–**
J. Eric Rice	**86%**	93%	**–**	–	**14%**	7%	**–**	**–**

Equity holdings of KMP

Options over ordinary shares held in Mach7 Technologies Limited by KMP as at 30 June 2018 are as follows:

Table 5: Option holdings of Key Management Personnel

	Balance	Granted as remuneration	Options exercised	Options forfeited	**Balance**	**Vested**
	No.	No.	No.	No.	No.	No.
2018	01-Jul-17				**30-Jun-18**	**30-Jun-18**
Directors						
Damien Lim	125,000	183,333	–	–	**308,333**	**158,333**
Dr Nigel Finch	125,000	183,333	–	–	**308,333**	**158,333**
Nobuhiko Ito	125,000	183,333	–	–	**308,333**	**158,333**
A. Wayne Spittle	125,000	183,333	–	–	**308,333**	**33,333**
Executives						
Ravi Krishnan	340,000	200,000	–	–	**540,000**	**113,334**
Michael Lampron	–	350,000	–	–	**350,000**	**–**
Jenni Pilcher	540,000	200,000	–	–	**740,000**	**313,334**
J. Eric Rice	340,000	250,000	–	–	**590,000**	**113,334**

Remuneration report (continued)

Ordinary shares held in Mach7 Technologies Limited (number) by KMP as at 30 June 2018 are as follows:

Table 6: Shareholding of Key Management Personnel

	Balance	Granted as remuneration	Issued on exercise of options/vesting performance rights	Purchased at market value	Balance
	No.	No.	No.	No.	No.
2018	01-Jul-17				**30-Jun-18**
Directors					
Damien Lim#	250,000	100,000	-		**350,000**
Michael Jackman	-	-	886,854	505,002	**1,391,856**
Dr Nigel Finch	682,598	-	-		**682,598**
Nobuhiko Ito	902,419	50,000	-		**952,419**
A. Wayne Spittle	250,000		-		**250,000**
Executives					
Ravi Krishnan	5,780,561	-	-	-	**5,780,561**
Michael Lampron	-	-	-	-	**-**
Jenni Pilcher	291,668	-	-	-	**291,668**
J. Eric Rice	913,382	-	-	-	**913,382**

 # In addition to the shareholding of Mr Lim, 11,372,898 held by BV Healthcare II Pte Ltd, an investment fund of which Mr Lim is a Principal.

Shares issued on exercise of compensation options
There were no shares issued on exercise of options granted as compensation during the period (2017: Nil).

Other transactions with key management personnel and their related parties
There have been no other transactions with KMPs during the year.

Voting and comments made at the most recent Annual General Meeting ('AGM')
At the most recent AGM held by the Company on 30 November 2017, the remuneration report for the year ended 30 June 2017 was adopted by shareholders on a unanimous show of hands. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

This concludes the remuneration report which has been audited.

Shares under option
Unissued ordinary shares of Mach7 Technologies Limited under option at the date of this report, together with shares issued upon exercise of options, can be found in Note 22 to the financial statements. There has been no change in options outstanding since 30 June 2018 and the date of this report.

Details of equity options granted to key management personnel and exercised during the year are set out in the Remuneration Report section of this report.

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

During the financial year, the Group paid a premium in respect of a contract to insure the directors and executives of the Group 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.

Indemnification of auditors
To the extent permitted by law the Group has agreed to indemnify it auditors, RSM Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify RSM Australia during or since the financial year.

Non-audit services
Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in Note 30 to the financial statements.

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

The directors are of the opinion that the services as disclosed in Note 30 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

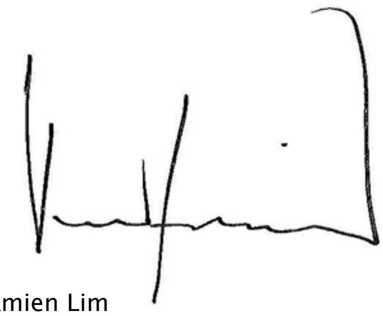
- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

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 page 22.

Proceedings on behalf of the Company

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

Directors Report signed in accordance with a resolution of the directors.



Damien Lim
Chairman
Signed at Singapore on 24 August 2018

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Mach7 Technologies Limited ("the Company") and its controlled entities ("the Group") for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

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

RSM AUSTRALIA PARTNERS

R B MIANO
Partner

Dated: 24 August 2018
Melbourne, Victoria

Statement of Financial Position

AS AT 30 JUNE 2018

		CONSOLIDATED	
	Note	2018	2017
		$	$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9	2,504,587	2,684,225
Financial assets	10	–	100,000
Trade and other receivables	11	3,691,234	4,814,753
Other current assets	12	300,051	297,399
TOTAL CURRENT ASSETS		6,495,872	7,896,377
NON-CURRENT ASSETS			
Plant and equipment	13	174,226	184,912
Investments	15	318,016	–
Intangible assets	14	14,217,807	17,843,215
TOTAL NON-CURRENT ASSETS		14,710,049	18,028,127
TOTAL ASSETS		21,205,921	25,924,504
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	16	1,263,423	1,755,447
Deferred revenue	17	2,715,538	2,855,480
Financial liabilities	18	–	20,000
Interest bearing liabilities	19	13,538	12,358
TOTAL CURRENT LIABILITIES		3,992,499	4,643,285
NON-CURRENT LIABILITIES			
Finance leases	20	–	13,009
Deferred tax liability	21	2,966,622	5,329,432
TOTAL NON-CURRENT LIABILITIES		2,966,622	5,342,441
TOTAL LIABILITIES		6,959,121	9,985,726
NET ASSETS		14,246,800	15,938,778
EQUITY			
Contributed equity	22	55,557,122	53,090,510
Reserves	23	3,454,851	2,660,045
Accumulated losses		(44,765,173)	(39,811,777)
TOTAL EQUITY		14,246,800	15,938,778

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

Statement of Profit and Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2018

		CONSOLIDATED	
	Note	2018	2017
		$	$
Continuing operations			
Revenue from sales	5	8,644,345	10,268,931
Other income	6a	519,628	764,585
Employee benefits & staff related expenses	6b	(10,036,886)	(10,524,332)
Professional fees and corporate expenses		(491,482)	(1,308,601)
Marketing expenses		(499,029)	(659,796)
Travel and related expenses		(429,001)	(679,156)
General administration expenses		(736,093)	(1,008,631)
Distributor and license fees		(352,562)	(856,564)
Other expenses	6b	(223,310)	(673,422)
Finance costs		(11,348)	(239,578)
Impairment charges	6b	–	(11,675,171)
Depreciation and amortisation		(3,700,467)	(6,262,660)
Loss from continuing operations before income tax		(7,316,206)	(22,854,395)
Income tax benefit	7	2,362,810	5,195,297
Loss for the year		(4,953,396)	(17,659,098)
Other comprehensive income	23	16,090	447,688
Total comprehensive loss for the year, net of tax, attributable to equity holders of the parent		(4,937,306)	(17,211,410)
Earnings per share (cents per share)			
– Basic earnings/(loss) per share (cents)	8	(3.9)	(16.3)
– Diluted earnings/(loss) per share (cents)	8	(3.9)	(16.3)
Dividends per share (cents)		–	–

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

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2018

	Share Capital	Share Based Payments Reserve	Foreign Exchange Trans-lation Reserve	Accumulated Losses	Total Equity
CONSOLIDATED	$	$	$	$	$
Opening Balances at 1 July 2016	**43,856,376**	**1,897,267**	**(139,405)**	**(22,152,679)**	**23,461,559**
Loss for the year	–	–	–	(17,659,098)	(17,659,098)
Other comprehensive income for the year	–	–	447,688	–	447,688
Total comprehensive income for the year	–	–	447,688	(17,659,098)	(17,211,410)
Capital raising costs	(553,710)	–	–		(553,710)
Share based payments	–	454,495	–	–	454,495
Issue of shares for exercise of options (non-employee)	480,370	–	–	–	480,370
Issue of shares pursuant to employee share plan	15,000	–	–	–	15,000
Issue of shares in accordance with debt refinancing terms	284,082	–	–	–	284,082
Issue of shares to repay debt	2,088,392	–	–	–	2,088,392
Issue of shares pursuant to capital raisings	6,920,000	–	–	–	6,920,000
Balances as at 30 June 2017	**53,090,510**	**2,351,762**	**308,283**	**(39,811,777)**	**15,938,778**
Loss for the year	–	–	–	(4,953,396)	(4,953,396)
Other comprehensive income for the year	–	–	16,090	–	16,090
Total comprehensive income for the year	–	–	16,090	(4,953,396)	(4,937,306)
Capital raising costs	(17,357)	–	–	–	(17,357)
Share based payments	–	967,138	–	–	967,138
Investment in Teleport Med, LLC (shares)	255,265	–	–	–	255,265
Issue of shares to Directors in lieu of fees	33,009	(33,009)	–	–	–
Repayment of employee loan (loan-funded shares)	56,370	–	–	–	56,370
Vesting of CEO performance rights	139,325	(139,325)	–	–	–
Foreign exchange on share-based payments	–	(16,088)	–	–	(16,088)
Issue of shares pursuant to capital raisings	2,000,000	–	–	–	2,000,000
Balances as at 30 June 2018	**55,557,122**	**3,130,478**	**324,373**	**(44,765,173)**	**14,246,800**

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

		CONSOLIDATED	
	Note	2018	2017
		$	$
Cash flows from operating activities			
Receipts from customers		9,543,640	8,407,627
Payments to suppliers and employees		(11,917,453)	(13,837,427)
Interest received		35,203	37,551
Interest and other costs of finance paid		(11,348)	(146,040)
Government grants		2,653	102,637
Other receipts		161,277	274,844
Net cash (used in) operating activities	25	(2,186,028)	(5,160,808)
Cash flows from investing activities			
Payment for plant and equipment		(84,760)	(33,902)
Payment for other non-current assets		(15,202)	(18,081)
Proceeds from sale of equipment		965	168,602
Return of bank guarantee/funds held on deposit		43,470	209,803
Loans made to other entities		(62,751)	-
Cash transferred from/(to) deposits (maturity dates > 3 months)		100,000	(100,000)
Net cash flows provided by / (used in) investing activities		(18,278)	226,422
Cash flows from financing activities			
Borrowings repaid		-	(737,087)
Payment for finance leases		(12,868)	(118,807)
Proceeds from issues of shares, options etc		2,056,371	7,400,370
Capital raising cost		(17,356)	(550,877)
Net cash flows provided by financing activities		2,026,147	5,993,599
Net increase/decrease) in cash and cash equivalents		(178,160)	1,059,213
Net foreign exchange difference relating to cash		(1,478)	(93,499)
Cash and cash equivalents at beginning of year		2,684,225	1,718,511
Cash and cash equivalents at end of year	9	2,504,587	2,684,225

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

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1. CORPORATE INFORMATION

The financial report of Mach7 Technologies Limited (the “Company” or the “Parent”) for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of the directors on 24 August 2018.

Mach7 Technologies Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Stock 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001,* Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis.

For the purposes of preparing financial statements, Mach7 Technologies Limited is a for-profit entity.

The financial report is presented in Australian dollars unless otherwise stated.

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 a net loss after tax of $4.9 million and net cash outflows from operating activities of $2.2 million for the year ended 30 June 2018. Despite this result, the Directors believe that it is reasonably foreseeable that the company and consolidated entity will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the following factors:

- as at year-end, the group’s current assets exceeded current liabilities by $2.5 million;
- included in the year-end balance of current liabilities, is an amount of $2.7 million relating to deferred revenue. This amount will not result in a cash outflow; it will be transferred to revenue as it is earned during the next financial year; and
- securing expected new contracts in the next financial year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Compliance with IFRS

The financial report complies with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

Changes in accounting policy and disclosures

The group has applied AASB 2014-1 *Amendments to Australian Accounting Standards* for the first time for their annual reporting period commencing 1 July 2017. The adoption of AASB 2014-1 has required additional disclosures in the segment note. Other than that, the adoption of this standard did not have any impact on the current period or any prior period and is not likely to affect future periods.

(b) New accounting standards and interpretations

Changes in Accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2017. Adoption of these standards did not have any material effect on the financial position or performance of the Group. The necessary disclosures have been updated to reflect amended accounting standards.

Pronouncements	Application date of standard	Application date for Group
2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]	1 January 2017	1 July 2017
This Standard amends AASB 112 *Income Taxes* (July 2004) and AASB 112 *Income Taxes* (August 2015) to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.		

(ii) Accounting Standards and interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 30 June 2018. These are outlined in the tables below.

Standard & Title	Application date of standard	Impact on Group financial report	Application date for Group
AASB 16 Leases	1 January 2019	No material impact to the financial statements is expected as a result of the adoption of this standard.	1 July 2019
AASB 16 will cause the majority of leases of an entity to be brought onto the statement of financial position. There are limited exceptions relating to short-term leases and low value assets which may remain off-balance sheet. The calculation of the lease liability will take into account appropriate discount rates, assumptions about lease term and increases in lease payments. A corresponding right to use asset will be recognised which will be amortised over the term of the lease. Rent expense will no longer be shown, the profit and loss impact of the leases will be through amortisation and interest charges.			

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standard & Title	Application date of standard	Impact on Group financial report	Application date for Group
AASB 15 Revenue from Contracts with Customers	1 January 2018	No material impact to the financial statements is expected as a result of the adoption of this standard.	1 July 2018

AASB 15 introduces a five-step process for revenue recognition with the core principle of the new standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services. The five-steps are:

1. Identify the contract(s)
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when (or as) the entity satisfies a performance obligation

Accounting policy changes may arise in timing of revenue recognition, treatment of contracts costs and contracts which contain a financing element.

AASB 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

Pronouncements	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions	1 January 2018	The Group will amend the future financial reports to comply with IFRS 2	1 July 2018

This standard amends AASB 2 Share-based Payments to address:

- the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- the classification of share-based payment transactions with a net settlement feature for withholding tax obligations; and
- the accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pronouncements	Application date of standard	Impact on Group financial report	Application date for Group
• AASB 9 Financial Instruments • AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2009) • AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transitional Disclosures • AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments • AASB 2014-1 Amendments to Australian Accounting Standards • AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 • AASB 2014-8 Amendments to Australian Accounting Standards arising from AASB 9	1 January 2018	It is expected that at the application date of this standard will result in equity instruments currently held at cost to be carried at their fair value with any changes in fair value being recognised in the Statement of Profit or Loss. The financial impact is expected to be immaterial.	1 July 2018

Significant revisions to the classification and measurement of financial assets, reducing the number of categories and simplifying the measurement choices, including the removal of impairment testing of assets measured at fair value. The amortised cost model is available for debt assets meeting both business model and cash flow characteristics tests. All investments in equity instruments using AASB 9 are to be measured at fair value. Amends measurement rules for financial liabilities that the entity elects to measure at fair value through profit and loss. Changes in fair value attributable to changes in the entity's own credit risk are presented in other comprehensive income.

AASB 9 includes a new approach to hedge accounting that is intended to more closely align hedge accounting with risk management activities undertaken by entities when hedging financial and non-financial risks. Some of the key changes from AASB 139 are as follows:

- to allow hedge accounting of risk components of non-financial items that are identifiable and measurable (many of which were prohibited from being designated as hedged items under AASB 139);
- changes in the accounting for the time value of options, the forward element of a forward contract and foreign-currency basis spreads designated as hedging instruments; and
- modification of the requirements for effectiveness testing (including removal of the 'bright-line' effectiveness test that offset for hedging must be in the range 80-125%).

Revised disclosures about an entity's hedge accounting have also been added to AASB 7 Financial Instruments: Disclosures.

Impairment of assets is now based on expected losses in AASB 9 which requires entities to measure:

- the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or
- full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Mach7 Technologies Limited and its subsidiaries (the Group) as at 30 June each year.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. 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 an 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-assesses 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.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of profit and loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary. Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies.

The financial statements of the subsidiaries are prepared using consistent accounting policies as that of the parent company, Mach7 Technologies Limited. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Investments in subsidiaries held by Mach7 Technologies Limited are accounted for at cost in the parent entity less any impairment charges.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Business combinations

Business combinations are accounted for using the acquisition method. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

e) Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker 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. Operating segments have been identified based on the information provided to the chief operating decision makers - being the executive management team.

The group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- Nature of the products and services;
- Nature of the production processes;
- Type or class of customer for the products and services;
- Methods used to distribute the products or provide the services; and if applicable
- Nature of the regulatory environment;

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements. Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

(f) Foreign currency translation

Functional and presentation currency

The Group's consolidated financial statements are presented in Australian dollars, which is also the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities are denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date. All differences arising on settlement or translation of monetary items are taken to the income statement.

Translation of group companies' functional currency to presentation currency

As at the reporting date, the assets and liabilities of Mach7 Technologies Inc. and Mach7 Technologies Pte. Ltd are translated into the presentation currency of Mach7 Technologies Limited at the rate of exchange ruling at the reporting date and its statement of profit and loss and other comprehensive income is translated at the weighted average exchange rate for the year. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

(g) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(h) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of trade and other receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable.

i) 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. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 at fair value through profit or loss are 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 ii) designated as such upon initial recognition, where they are managed on a fair value basis or to eliminate or significantly reduce an accounting mismatch. Except for effective hedging instruments, derivatives are also categorised as fair value through profit or loss. Fair value movements are recognised in profit or loss.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets (principally equity securities) that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised in other comprehensive income through the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets
The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

Available-for-sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost. Subsequent increments in value are recognised in other comprehensive income through the available-for-sale reserve.

(j) Plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if the recognition criteria are met. All other repairs and maintenance are recognised in profit or loss as incurred.

Asset class	Estimated life	Depreciation method
Computer equipment	3-5 years	Straight line
Furniture, fixtures & office equipment	5-7 years	Straight line
Software	2-3 years	Straight line

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end.

De-recognition
An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

(k) Leases
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of profit and loss and other comprehensive income on a straight-line basis over the lease term. Operating lease incentives are recognised in the statement of profit and loss and other comprehensive income as an integral part of the total lease expense.

Conversely, leases where the lessee retains substantially all the risks and benefits of ownership of the asset are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

(l) Impairment of non-financial assets other than goodwill
Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The Group conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). An impairment loss recognised in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount. That increase is a reversal of an impairment loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Goodwill and intangibles

Goodwill
Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are taken to the profit or loss and are not subsequently reversed.

Intangibles
Intangible assets acquired separately are initially measured at cost. Intangible asset acquired in a business combination are initially measured at their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over their useful life of between five and seven years and tested for impairment whenever there is an indication that the intangible asset may be impaired (see note 4 for methodology). The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level consistent with the methodology outlined for goodwill above. Such intangibles are not amortised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

Software development costs
Software development costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefits from the related projects.

(n) Trade and other payables
Trade payables and other payables are carried at amortised cost due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. These amounts are unsecured and are usually paid within 30 days of recognition.

(o) Provisions and employee benefits
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date using a discounted cash flow methodology.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

Wages, salaries, annual leave and sick leave
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expect future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on the applicable corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(p) Share-based payment transactions

The Company provides benefits to employees (including key management personnel) in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions). Details of the executive and staff incentive plan are set out in the Remuneration Report.

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. The fair value measured at grant date takes into account market performance conditions only, and spread over the vesting period during which the employees become unconditionally entitled to the options.

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

At each subsequent reporting date until vesting, the cumulative charge to the statement of profit and loss and other comprehensive income is the product of:

(i) the grant date fair value of the award;

(ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and

(iii) the expired portion of the vesting period.

This opinion is formed based on the best available information at balance date.

Equity-settled awards granted by Mach7 Technologies Limited to employees of subsidiaries are recognised in the parent's separate financial statements as an additional investment in the subsidiary with a corresponding credit to equity. As a result, the expense recognised in Mach7 Technologies Limited in relation to equity-settled awards only represents the expense associated with grants to employees of the parent. The expense recognised by the Group is the total expense associated with all such awards.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are settled. 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. An additional 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

If an equity award is cancelled by forfeiture and the vesting conditions have not been met, any expense not yet recognised (i.e. unamortised) for that award, as at the date of forfeiture, is treated as if it had never been recognised. As a result, the expense recognised (i.e. amortised) on such cancelled equity awards are reversed from the accounts effective as at the date of forfeiture.

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

(q) 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.

r) Revenue recognition
Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Software licence revenue
Software license revenue is recognised when control of the right to compensation for the license can be reliably measured, and when the software has been delivered and is available for use by the customer.

Revenue generated from pay-per-use contracts are recognised based on the number of images managed by the software at the appropriate contracted rate.

Revenue from the provision of services
Revenue recognition relating to software installation and annual support is determined with reference to the stage of completion of the transaction at reporting date and where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Software annual support revenues are recognised evenly over the term of the contract.

Where the contract outcome cannot be reliably measured, revenue is recognised only to the extent that costs have been incurred.

Revenue from the sale of goods
Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and cessation of all involvement in those goods.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(s) Income tax and other taxes
Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except when:

- The deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- The taxable temporary difference is associated with investments in subsidiaries and the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised, except when:

- The deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- The deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other taxes
Revenues, expenses and assets are recognised net of the amount of GST except when:

- The GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable
- Receivables and payables are stated with the amount of GST included

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

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

(t) Earnings per share
Basic earnings per share is calculated as net profit or loss attributable to members of the parent and divided by the weighted average number of ordinary shares outstanding during the financial year, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit or loss attributable to members of the parent, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

u) Current versus non-current classification
The Group presents assets and liabilities in the statement of financial position based on current and non-current classifications.

An asset is current when it is:

- expected to be realised or intended to be sold or consumed in the normal operating cycle
- held primarily for the purpose of trading
- expected to be realised within twelve months after the reporting period, or
- cash or cash equivalents, unless restricted from being exchanged or used to settle a liability for at least 12 months after the end of the current reporting period

A liability is current when:

- It is expected to be settled within the 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 end of the current reporting period

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group classifies all liabilities not mentioned above as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities in accordance with accounting standards.

(v) Comparatives
Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

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

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

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate and foreign exchange. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk, liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Board, through the Audit and Risk Management Committee, reviews and agrees policies for managing each of these risks as summarised below. This includes the setting of limits of concentration risks with any one financial institutions, credit rate limits and future cash flow forecast projections.

Risk Exposure and Responses
Interest rate risk
The Group's exposure to the risk of changes in market interest rates relates primarily to the income earned on the Group's cash and short term deposits of various deposit terms.

At 30 June 2018, the Group's cash and cash equivalents comprised of deposits on call and foreign currency accounts.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The Group's policy to manage its interest rate risk, given its dependence on cash and cash equivalents is to keep maturities short generally using 30-90 bank bills and short-term money market facilities. The Group constantly analyses its interest rate exposure with respect to renewal of existing positions, alternative investment opportunities / facilities and whether to consider a mix of fixed and variable instruments.

At balance date, the Group had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk that are not designated as cash flow hedges (other currencies, or non-interest bearing accounts, are not included):

	CONSOLIDATED	
	2018	2017
	$	$
Financial assets with interest rate risk		
Deposits at call - AUD	**1,332,152**	1,366,231
Term deposit (maturity date > 3 months after 30 June 2018) - AUD	**-**	100,000
	1,332,152	1,466,231

Sensitivity analysis	Profitability (post-tax) higher/(lower)		Equity (excluding accumulated losses) higher/(lower)	
	2018	2017	**2018**	2017
Judgement of reasonably possible movements:	**$**	$	**$**	$
Consolidated				
Interest rate strengthens +0.25% or 25 basis points (2017: +0.25% or 25 basis points)	**3,330**	3,666	**-**	-
Interest rate weakens -1% or 100 basis points (2017: -1% or 100 basis points)	**(13,322)**	(14,662)	**-**	-

The Group believes that the carrying amount approximates fair value because of their short term to maturity.

Significant assumptions used in the interest rate sensitivity analysis include:

- Reasonably possible movements in interest rates were determined based on economic forecaster's expectations.
- The net exposure at balance date is representative of what the Group was and is expecting to be exposed to in the next twelve months from balance date.

Foreign currency risk

The Group has transactional currency exposure. Such exposure arises from purchases by the Group in currencies other than the functional currency and through foreign currency receipts in the form of milestone, profit share or expense reimbursements under the Group's various collaborations. Generally, the Group does not use financial instruments to hedge the foreign exchange exposure.

Price risk

The Group does not consider it to have any material exposure to price risk.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The Group's exposure to foreign currency risk at the reporting date that are not designated in cash flow hedges was as follows:

	CONSOLIDATED	
	2018	2017
	$	$
Financial Assets		
Cash and cash equivalents – held in USD	1,062,562	960,081
Cash and cash equivalents – held in SGD	7,327	24,829
Cash and cash equivalents – held in INR	7,612	20,492
Total cash and cash equivalents held in foreign currency	1,077,501	1,005,402
Accounts receivable – denominated in USD	3,550,975	1,509,396
Accounts receivable – denominated in SGD	–	82,473
Accounts receivable – denominated in GBP	130,072	40,809
Total debtors denominated in foreign currency	3,681,047	1,632,678
Financial Liabilities		
Trade and other payables – denominated in USD	1,057,768	169,021
Trade and other payables – denominated in SGD	43,711	890
Trade and other payables – denominated in INR	6,790	–
Total trade and other payables denominated in foreign currency	1,108,270	169,911
Net exposure – USD	3,555,769	2,300,456
Net exposure – SGD	(36,384)	106,412
Net exposure – INR	822	20,492
Net exposure – GBP	130,072	40,809
Net exposure	3,650,279	2,468,169

Based on the financial instruments held at 30 June 2018, had the Australian dollar strengthened/weakened by 10% against the above currencies, with all other variables held constant, the Group's post-tax loss for the year would have been (reduced)/increased by:

Sensitivity analysis	Profitability (post-tax) higher/(lower)		Equity (excluding accumulated losses) higher/(lower)	
Consolidated	2018	2017	2018	2017
	$	$	$	$
AUD strengthens +10% (2017: +10%)	(331,844)	(224,379)	–	–
AUD weakens -10% (2017: -10%)	405,587	274,241	–	–

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk Exposure and Responses (continued)

Management believes the balance date risk exposures are representative of the risk exposure inherent in those financial instruments.

Significant assumptions used in the foreign currency exposure sensitivity analysis include:

- Reasonably possible movements in foreign exchange rates were determined based on a review of the historical movements and economic forecaster's expectations.
- The reasonably possible movement of 10% was calculated by taking the USD/EUR spot rate as at balance date, moving this spot rate by 10% and then re-converting the USD/EUR into AUD with the "new spot-rate".
- This methodology reflects the translation methodology undertaken by the Group.

Credit risk
Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, short term deposits, trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

The Group does not hold any credit derivatives to offset its credit exposure.

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trades and other receivables.

There are no significant concentrations of credit risk within the Group and financial instruments are spread amongst a number of financial institutions to minimise the risk of default of counterparties.

Liquidity risk
The Group's objective is to maintain a balance between continuity of project research utilising an optimal combination of equity funding, finance and operating lease commitments.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities.

The Group manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flows and matching maturity profiles in financial assets and liabilities.

4. SIGNIFICANT 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 and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods. Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

(i) Impairment of goodwill and intangibles with indefinite useful lives

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated.

(ii) Impairment of intangibles with definite useful lives

The Group assesses impairment of intangibles with definite useful lives at each reporting date by evaluating conditions specific to the Group and to the particular intangibles that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves value in use calculations, which incorporate a number of key estimates and assumptions. The periodic impairment review of intangibles (both with definite and indefinite lives) and goodwill, in the first instance is based upon an assessment of market changes in technology which may have a negative impact on the Groups software technology making it potentially uncompetitive or obsolete.

(iii) Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

(iv) Share-based payment transactions

The Group measures the cost of equity-settled share-based payments at fair value at the grant date using the Black-Scholes formula taking into account the terms and conditions upon which the instruments were granted.

(v) Employee benefits provision

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

5. SEGMENT INFORMATION

The business operations of Mach7 Technologies are 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 included 3D medical printing operations, however this business was divested in 2017.

Segment revenues

	CONSOLIDATED	
	2018	2017
	$	$
Product segment revenues		
Software licenses	3,519,354	6,227,882
Professional services & maintenance services	5,124,990	4,013,133
Other segments	-	27,916
	8,644,345	10,268,931
Geographical segment revenues		
United States	7,641,678	6,781,754
Middle East	661,299	2,658,006
Asia/Pacific	236,298	530,499
Europe and other regions	105,070	298,673
	8,644,345	10,268,931

5. SEGMENT INFORMATION (continued)

Segment Adjusted Earnings before Interest, Tax, Depreciation & Amortisation (Adjusted EBITDA)
Adjusted EBITDA is determined using segment revenues, less segment operating expenditures. It does not include certain other income and other expenditure items which are detailed in the reconciliation to net loss for the year, after tax.

	CONSOLIDATED	
	2018	2017
	$	$
Segment adjusted EBITDA		
Software licenses	(786,063)	169,646
Professional services & maintenance services	1,515,811	1,227,907
Other segments	–	(426,005)
	729,748	971,548
Reconciliation to net loss after tax		
Segment adjusted EBITDA	729,748	971,548
Administration^	(3,507,516)	(5,285,202)
Net other income/(other expenses) – excluding interest income	140,515	91,163
Group adjusted EBITDA	(2,637,253)	(4,222,491)
Share based payments expense	(967,138)	(454,495)
Depreciation & amortisation expense	(3,700,467)	(6,262,660)
Impairment charge	–	(11,675,171)
Finance & interest costs	(11,348)	(239,578)
Income tax benefit	2,362,810	5,195,297
Net loss after tax	(4,953,396)	(17,659,098)

^Administration expenses are not allocated to a particular operating segment, and are reviewed by management according to the type of expense. This category includes expenses related to corporate/head office, ASX and governance, compliance costs (audit, tax etc), certain executive management costs, and occupancy costs.

5. SEGMENT INFORMATION (continued)

	CONSOLIDATED	
	2018	2017
	$	$
Segment assets – by product		
Software licenses	2,782,912	3,565,232
Professional services & maintenance services	1,000,284	1,123,365
Other segments	–	1,301
	3,783,196	4,689,898
Reconciliation to group assets		
Segment assets	3,783,196	4,689,898
Cash	2,504,587	2,684,225
Financial assets	–	100,000
Other receivables	6,118	193,689
Prepayments and deposits	201,972	228,565
Fixed assets	174,226	184,912
Intangible assets	14,217,807	17,843,215
Investments	318,016	–
	21,205,922	25,924,504
Geographical non-current assets		
United States	257,806	218,087
Asia/Pacific	7,456	45,268
	265,262	263,355
Segment liabilities – by product		
Software licenses	551,062	534,620
Professional services & maintenance services	2,910,802	2,829,479
	3,461,865	3,364,099
Reconciliation to group liabilities		
Segment liabilities	3,461,865	3,364,099
Trade payables & accruals not allocated	517,096	1,246,829
Financial liabilities – current	13,538	33,009
Non-current liabilities	2,966,622	5,341,789
	6,959,121	9,985,726

6a. OTHER INCOME

	CONSOLIDATED	
	2018	2017
	$	$
Other income		
Rental income (sub-tenancy)	–	131,566
Sale of 3D printer asset, previously subject to finance lease	–	130,113
Interest income	36,771	41,688
R&D tax refund revenue	–	96,806
Doubtful debt recoveries	147,493	323,373
Gain on sale of fixed assets (net of losses)	–	22,921
Other revenues	7,713	11,038
Cost recoveries	266,092	–
Government grants	2,673	7,080
Foreign exchange gains (net of any losses during the year)	58,885	–
	519,628	764,585

6b. EXPENDITURE

	CONSOLIDATED	
	2018	2017
	$	$
Other expenses		
Foreign exchange losses (net of any gains during the year)	–	439,323
Losses (net of any gains during the year) on fixed asset disposals	35,875	–
Doubtful debts provided for	187,435	234,099
	223,310	673,422
Employee salaries, benefit and staff related expenses		
Salaries, wages, commissions & bonuses	6,977,038	7,493,758
Defined contribution plan expense (superannuation)	155,828	765,661
Workers compensation costs	15,054	15,839
Annual leave provision	63,557	30,353
Payroll and fringe benefit tax	476,930	487,676
Other employee benefits expense	561,061	593,248
Contractors	714,002	356,075
Other employment related expenses	106,278	327,227
Share-based payments (note 27)	967,138	454,495
	10,036,886	10,524,332
Depreciation and amortisation		
Amortisation of intangible assets	3,641,783	6,066,261
Depreciation of property, plant and equipment	58,684	196,399
	3,700,467	6,262,660

7. INCOME TAX

		CONSOLIDATED	
		2018	2017
		$	$
(a) Income tax expense			
The major components of income tax expense are:			
Current income tax on profits		–	–
(Increase) / decrease in deferred tax assets		–	–
(Decrease) / increase in deferred tax liabilities		(2,362,810)	(5,195,297)
Income tax benefit		(2,362,810)	(5,195,297)
(b) Reconciliation of prima-facie tax payable to income tax expense			
Loss from continuing operations before income tax expense		(7,316,206)	(22,854,395)
Tax benefit at the Australian statutory income tax rate of 27.5% (2017: 30%)		(2,011,957)	(6,856,318)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:			
Impairment expense related to goodwill		–	124,430
Other non-deductible expenses		2,912	3,504
Share-based payments expense		265,963	136,349
Unrealised foreign exchange (gains)/losses		(20,723)	67,775
Annual leave accruals		18,378	–
Interest expense		–	26,175
Sub-total		(1,745,013)	(6,498,086)
Tax losses utilised - current year		–	(210,340)
Tax losses not recognised		735,621	1,942,304
Change in tax rates affecting deferred tax liabilities^	21	(1,342,076)	–
Differences in local tax rates		(11,342)	(429,175)
Income tax expense/(benefit)		(2,362,810)	(5,195,297)

(c) Unused tax losses

The Group has gross tax losses of $39,779,905 (2017: $37,007,842) arising in Australia, US, India and Singapore that are available indefinitely for offset against future taxable profits of the companies in which the losses arose, subject to satisfying the relevant income tax loss carry forward rules. The Group is investigating the potential to utilise prior year tax losses associated with all of its subsidiaries.

(d) Deferred tax liabilities

The Group has recognised a deferred tax liability of $2,966,622 (2017: $5,329,432) as a result of the acquisition of Mach7 Technologies Pte. Ltd in accordance with AASB112 Income Taxes.

8. EARNINGS PER SHARE

	2018	2017
Loss per share – basic (cents)	3.9c	16.3c
Loss per share – diluted (cents)	3.9c	16.3c

Basic earnings per share is calculated by dividing the 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.

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

	2018	2017
	$	$
Net loss used in calculating basic and diluted earnings per share	(4,953,396)	(17,659,098)
	Number of Shares	
Weighted average number of ordinary shares used in calculating basic earnings per share	126,365,875	108,482,657
Adjustments for calculation of diluted earnings per share Options	–	–
Weighted average number of ordinary shares used in calculating diluted earnings per share	126,365,875	108,482,657

The options are considered non-dilutive as the Group has incurred a loss from ordinary operations for both the current and prior years. Refer note 22 for further details on the current outstanding and issued share capital.

9. CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	2018	2017
	$	$
Cash at bank and on hand	1,172,435	1,317,994
Cash on call deposits	1,332,152	1,366,231
	2,504,587	2,684,225

Cash on call deposits are 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.

10. FINANCIAL ASSETS

	CONSOLIDATED	
	2018	2017
	$	$
Cash held on term deposit at bank	–	100,000

11. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	2018	2017
(a) Balances	$	$
Trade receivables(i)	1,596,172	1,837,340
Less provision for doubtful debts	(196,185)	(231,188)
Accrued revenue(ii)	2,243,952	2,941,796
Other receivables	38,702	253,649
GST receivable	4,453	10,575
Interest receivable	4,140	2,579
	3,691,234	4,814,753

(i) Trade receivables typically have 30-45 day 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

(b) Impaired balances

The consolidated entity has recognised a loss of $196,185 (2017: $231,188) in profit or loss in respect of impairment of receivables for the year ended 30 June 2018. The ageing of the impaired receivables provided for above are as follows:

	CONSOLIDATED	
	2018	2017
	$	$
Up to 3 months	–	231,188
3 to 6 months	32,472	–
> 6 months	163,713	–

(c) Movement in provision for doubtful debts

	CONSOLIDATED	
	2018	2017
	$	$
Opening balance	231,188	360,378
Additional provisions recognised during the year	196,185	231,188
Amounts received during the year	(147,493)	(360,378)
Bad debts written off	(83,695)	–
	196,185	231,188

(d) Past due but not impaired

The ageing of the past due but not impaired receivables are as follows:

	CONSOLIDATED	
	2018	2017
	$	$
Up to 3 months	193,772	659,355
3 to 6 months	110,682	291,298
> 6 months	249,279	90,118
	553,733	1,040,771

The consolidated entity did not consider a credit risk on the aggregate balances above after reviewing the credit terms of customers based on recent collection practices.

12. OTHER CURRENT ASSETS

	CONSOLIDATED 2018	CONSOLIDATED 2017
	$	$
Security deposits	10,471	61,501
Prepayments	187,048	167,065
Deferred expenses	102,532	68,833
	300,051	297,399

13. PLANT AND EQUIPMENT

	Other	Office Equipment	Computer Hardware & Software	Leasehold Improve-ments	TOTAL
CONSOLIDATED		$	$	$	$
2017					
Cost	–	137,670	340,145	5,847	483,662
Accumulated depreciation	–	(75,534)	(220,691)	(2,525)	(298,750)
Net carrying value at 30 June 2017	–	62,136	119,454	3,322	184,912
Movement in carrying value					
At 1 July 2016	415,988	73,640	158,931	151,010	799,569
Additions	–	3,638	69,080	–	72,718
Disposals	(342,358)	–	(7,155)	(137,592)	(487,105)
Depreciation expense	(73,630)	(14,063)	(98,755)	(9,951)	(196,399)
Foreign exchange revaluations	–	(1,079)	(2,647)	(145)	(3,871)
Net carrying value at 30 June 2017	–	62,136	119,454	3,322	184,912
2018					
Cost	–	50,257	309,569	6,838	366,664
Accumulated depreciation	–	(22,872)	(164,934)	(4,632)	(192,438)
Net carrying value at 30 June 2018	**–**	**27,385**	**144,635**	**2,205**	**174,226**
Movement in carrying value					
At 1 July 2017	–	62,136	119,454	3,322	184,912
Additions	–	3,563	77,102	753	81,418
Disposals	–	(31,393)	(5,623)	–	(37,016)
Depreciation expense	–	(7,784)	(48,985)	(1,915)	(58,684)
Foreign exchange revaluations	–	863	2,687	46	3,596
Net carrying value at 30 June 2018	**–**	**27,385**	**144,635**	**2,205**	**174,226**

14. INTANGIBLE ASSETS AND GOODWILL

	Patents	Goodwill	Customer Contracts	Brand Names	Software Intellectual Property	TOTAL
CONSOLIDATED	$	$	$	$	$	$
2017						
Cost	963,779	–	8,824,764	1,557,975	14,465,116	25,811,634
Accumulated amortisation	(286,460)	–	(2,911,515)	(463,845)	(4,306,599)	(7,968,419)
Net carrying value	677,319	–	5,913,249	1,094,130	10,158,517	17,843,215
Movement in carrying value						
Balance at 1 July 2016	1,276,633	414,768	8,117,070	2,504,763	23,255,635	35,568,869
Impairment charges	(569,007)	(414,768)	–	(1,039,557)	(9,651,839)	(11,675,171)
Amortisation expense	(46,085)	–	(2,203,821)	(371,076)	(3,445,279)	(6,066,261)
Additions	18,080	–	–	–	–	18,080
Foreign exchange	(2,302)	–	–	–	–	(2,302)
Balance at 30 June 2017	677,319	–	5,913,249	1,094,130	10,158,517	17,843,215
2018						
Cost	992,512	–	8,824,764	1,557,974	14,465,116	25,840,366
Accumulated amortisation	(406,752)	–	(4,488,381)	(654,128)	(6,073,298)	(11,622,559)
Net carrying value	585,760	–	4,336,383	903,846	8,391,818	14,217,807
Movement in carrying value						
Balance at 1 July 2017	677,319	–	5,913,249	1,094,130	10,158,517	17,843,215
Amortisation expense	(107,934)	–	(1,576,866)	(190,284)	(1,766,699)	(3,641,783)
Additions	13,357	–	–	–	–	13,357
Foreign exchange	3,018	–	–	–	–	3,018
Balance at 30 June 2018	585,760	–	4,336,383	903,846	8,391,818	14,217,807

Impairment Testing

The Group has recognised individual intangible assets (patents, software, customer contracts and brands) and goodwill as a result of the acquisition of Mach7 Technologies Group. The recoverable amount of each individual intangible asset acquired, and the Group's goodwill, has been determined by a value-in-use calculation using a discounted cash flow model. The goodwill has been allocated to the enterprise imaging software product cash generating unit.

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive. The following key assumptions were used in the discounted cash flow model:

14. INTANGIBLE ASSETS AND GOODWILL (continued)

Item	Assumption	Rationale
Revenue Growth Rates	24.2% annual average growth for next five years	Blended rate – combining growth to recurring revenue and new deals
Expenditure Growth Rates	8.1% annual average growth for next five years	In line with expected margins
Years forecasted – software fees & implementation services	5 years	5 years as per recommended length of time per AASB136
Years forecasted – annual support fees	5 years from commencement of support	5 years is the Mach7 standard term for support fee contracts
Tax Rate	21.0%	USA corporate tax rate
Working Capital	30 day terms + specific phasing	Standard debtor terms + cash-phasing based on historical estimates
Discount Rate	15% post-tax	Management's estimate of the Group's weighted average cost of capital, the risk free rate and the volatility of the share price relative to market movements

Impairment charges

Based on a discounted cash flow valuation using the assumptions above, the recoverable amount exceeds the carrying amount of goodwill and other intangible assets and therefore there is no impairment charge for the current year (2017: $11,675,171).

The prior year impairment charge of $11,675,171 has been allocated first to goodwill and then on a pro-rata basis between software, brands, and patents. Customer contracts were separately tested for impairment and the recoverable amount exceeds the carrying amount and therefore no impairment charge has been allocated to this asset. These allocations were made in accordance with AASB136.

Future value

As per AASB136, an entity is required to assess at the end of each reporting period whether a previously impaired asset is no longer impaired. If there are indicators present which suggest the asset is no longer impaired to the same extent, the entity shall reassess the recoverable amount. Any increase in the recoverable amount (limited to the asset's recoverable amount prior to impairment) is recognised immediately as a gain in the profit and loss, except for goodwill. In the case of goodwill, the asset is permanently impaired.

15. INVESTMENTS

	CONSOLIDATED	
	2018	2017
	$	$
Investment in Teleport Med, LLC (unlisted)	318,016	-

During the year, the Group made an investment in Teleport Med, LLC – known as "SirenMD". SirenMD is a U.S. based, private unlisted company, which specialises in the commercialisation of care coordination technology. SirenMD and Mach7 are resellers of each other's products. This investment is recognised at cost.

16. TRADE AND OTHER PAYABLES

		CONSOLIDATED	
		2018	2017
		$	$
Trade creditors	(i)	386,006	267,437
Accrued expenses	(ii)	126,310	233,204
Distributor/reseller commissions payable	(iii)	209,765	413,563
Credit card payable	(iv)	23,594	13,228
Employee entitlements and related costs	(v)	517,750	828,015
		1,263,424	1,755,447

Terms and conditions relating to the above financial instruments:

(i) Trade creditors are non-interest bearing and are normally settled on 30-day terms.

(ii) Accrued expenses comprise general operating expenses where costs are incurred but have not yet been invoiced.

(iii) Commission will become payable at the time the customer pays their invoice, usually within 30-45 days.

(iv) Credit cards are paid monthly, and are non-interest bearing if paid on time.

(v) Employee entitlements includes sales commissions, redundancy provisions, withholding taxes, superannuation and other employee related costs

Due to the short-term nature of the above trade and other payables, their carrying value is assumed to approximate their fair value.

17. DEFERRED REVENUE

		CONSOLIDATED	
	Note	2018	2017
		$	$
Software licenses & professional service fees received in advance	(i)	1,125,076	1,500,312
Annual support and maintenance fees received in advance	(ii)	1,590,462	1,355,168
		2,715,538	2,855,480

Terms and conditions relating to the above financial instruments:

(i) Software licenses & professional service fees received in advance are where amounts are invoiced on a milestone basis but where the revenue is yet to be recognised.

(ii) Support and maintenance 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).

Due to the short-term nature of the above deferred revenue balances, their carrying value is assumed to approximate their fair value.

18. FINANCIAL LIABILITIES

		CONSOLIDATED	
	Footnote	2018	2017
		$	$
Security deposit for sub-tenancy	(i)	-	20,000

(i) Bond received from sub-tenan was returned to the sub-tenant during the current year on expiry of the lease.

19. CURRENT INTEREST BEARING LIABILITIES

	Note/footnote	CONSOLIDATED 2018	2017
		$	$
Current portion of finance lease	20	13,538	12,358

20. FINANCE LEASES – NON-CURRENT

	Note/ footnote	CONSOLIDATED 2018	2017
		$	$
Balance as at 1 July		25,367	339,484
Proceeds received from sale and lease back of assets	(i)	–	37,075
Lease payments made during the year	(i)	(12,862)	(87,662)
FX on opening balances		1,033	–
Novation of lease to third party	(i)	–	(263,530)
Balance as at 30 June		13,538	25,367
Less current portion	19	(13,538)	(12,358)
		–	13,009

Terms and conditions relating to the above financial instruments:

(i) During July 2016, the Group entered into a sale and lease back for certain computer hardware equipment. The lease is a 3-year term, with an effective interest rate of 8.1%. On 5 January 2017, the Company novated its finance lease (and sold the corresponding Trump 3D printer) to a third party.

Implicit finance costs are shown within interest expense in the statement of profit and loss and other comprehensive income for all finance leases.

The Company's obligations under finance leases are secured by the lessor's title to the leased assets. Future minimum lease payments under finance leases, together with the present value of the net minimum lease payments are as follows:

	CONSOLIDATED 2018		2017	
		$		$
	Minimum payments	Present Value of payments	Minimum payments	Present Value of payments
Within one year	13,904	13,538	13,360	12,358
After one year but not more than five years	–	–	13,360	13,009
More than five years	–	–	–	–
Total minimum lease payments	13,904	13,538	26,720	25,367
Less amounts representing finance charges	(366)	–	(1,353)	–
Lease payments recognised as a liability	13,358	13,538	25,367	25,367

21. DEFERRED TAX LIABILITY

		CONSOLIDATED	
		2018	2017
	Note	$	$
Cost		6,303,066	7,645,142
Accumulated amortisation of deferred tax liability		(3,336,444)	(2,315,710)
		2,966,622	5,329,432
Carrying value at the beginning of the year		5,329,432	10,524,728
Cost written down due to change in tax rates	7	(1,342,076)	–
Impairment credit for the year		–	(3,378,121)
Amortisation credit for the year		(1,020,733)	(1,817,175)
Carrying value at the end of the year		2,966,622	5,329,432

22. CONTRIBUTED EQUITY

Ordinary shares on issue	CONSOLIDATED	
	2018	2017
	$	$
Issued and fully paid	55,557,122	53,090,510
	No.	No.
Unrestricted and quoted on ASX	131,707,206	118,097,196
Restricted until 30 November 2017 and quoted on ASX	–	150,000
Total ordinary shares on issue	131,707,206	118,247,196

Movements in ordinary shares on issue	No. of Ordinary Shares	$
At 30 June 2016	940,135,153	43,856,376
Issue of shares pursuant to capital raising	173,000,000	6,920,000
Capital raising costs	na	(553,710)
Options exercised during the year	9,607,398	480,370
Shares issued for repayment of debt	52,209,811	2,088,392
Shares issued for repayment of accrued interest	4,734,959	189,398
Shares issued for loan repayment date extension	1,379,800	55,192
Shares issued for brokerage fees	987,291	39,492
Shares issued for bonus payment	41,667	15,000
Share consolidation (every 10 shares held replaced with 1 share)	(1,063,848,880)	na
At 30 June 2017	118,247,199	53,090,510
Issue of shares pursuant to capital raising, at 17.5 cents per share	11,428,570	2,000,000
CEO performance rights vested during the year (tranches 1, 2 and 3)	886,854	139,325
Shares issued to Teleport Med LLC (Siren MD investment)	994,579	255,265
Lapsing of performance shares (each class converting to 1 ordinary share)	3	–
Repayment of loan for employee loan-funded shares	–	56,370
Shares issued to Directors in lieu of board fees	150,000	33,009
Costs associated with issue of new shares during the year	na	(17,357)
At June 2018	131,707,206	55,557,122

22. CONTRIBUTED EQUITY (continued)

Performance shares

Four classes of performance shares were issued to the vendors of Mach7 Technologies Pte Ltd as part of the Company's merger with Mach7 on 8 April 2016. During the year, three classes (classes A, B & D) were lapsed as the required performance hurdles were not met. During the prior year, class C was also lapsed. There are no performance shares outstanding as at 30 June 2018 (2017: 25,000,000 performance shares).

Performance rights

On 1 August 2017 the Group issued the following performance rights to the CEO:

Tranche	Number Granted	Vesting Date	Vested during the Year	Closing balance 30 June 2018
Tranche 1	295,618	1-11-17	295,618	-
Tranche 2	295,618	1-02-18	295,618	-
Tranche 3	295,618	1-05-18	295,618	-
Tranche 4	1,478,090	1-08-18	-	1,478,090
Tranche 5	295,618	1-11-18	-	295,618
Tranche 6	295,618	1-02-19	-	295,618
Tranche 7	295,618	1-05-19	-	295,618
Tranche 8	1,478,090	1-08-19	-	1,478,090
Tranche 9	295,618	1-11-19	-	295,618
Tranche 10	295,618	1-02-20	-	295,618
Tranche 11	295,618	1-05-20	-	295,618
Tranche 12	295,618	1-08-20	-	295,618
Tranche 13	1,182,472	Conditional	-	1,182,472
Total	**7,094,832**		**886,584**	**6,208,248**

Each right will convert to one fully paid share on the vesting date if the vesting conditions are met.

Options outstanding

Options do not entitle the holders to voting rights, to participate in dividends or the proceeds on winding up of the Company. Each option entitles the holder to one ordinary share upon exercise of that option upon payment of the relevant exercise price prior to the date of expiry of the option. The following unlisted options to purchase fully paid ordinary shares in the Company were outstanding at balance date:

2017

Grant Date	Expiry Date	Exercise Price	Opening balance 1 July 2016	Number Granted	Number Exercised	Number Lapsed	Closing balance 30 June 2017
6 Feb 15	6 Aug 16	$0.50	7,194,873	-	(960,740)	(6,234,133)	-
6 Feb 15	6 Feb 17	$0.50	4,289,243	-	-	(4,289,243)	-
8 Apr 16	8 Apr 20	$1.00	100,000	-	-	-	100,000
8 Apr 16	8 Apr 21	$1.00	600,000	-	-	(125,000)	475,000
9 Dec 16	9 Dec 21	$1.00	-	125,000	-	-	125,000
27 Jan 17	27 Jan 22	$0.41	-	3,240,000	-	(560,000)	2,680,000
10 Mar 17	10 Mar 22	$0.41	-	200,000	-	-	200,000
Total			12,184,116	3,565,000	960,740	11,208,376	3,580,000

22. CONTRIBUTED EQUITY (continued)

2018

Grant Date	Expiry Date	Exercise Price	Opening balance 1 July 2017	Number Granted	Number Exercised	Number Lapsed	Closing balance 30 June 2018
8 Apr 16	8 Apr 20	$1.00	100,000	–	–	–	100,000
8 Apr 16	8 Apr 21	$1.00	475,000	–	–	–	475,000
9 Dec 16	9 Dec 21	$1.00	125,000	–	–	–	125,000
27 Jan 17	27 Jan 22	$0.41	2,680,000	–	–	(340,000)	2,340,000
10 Mar 17	10 Mar 22	$0.41	200,000	–	–	(200,000)	–
3 Nov 17	3 Nov 22	$0.17	–	2,700,000	–	(100,000)	2,600,000
11 Dec 17	11 Dec 22	$0.23	–	733,332	–	–	733,332
12 Jan 18	12 Jan 23	$0.26	–	40,000	–	–	40,000
3 Apr 18	3 Apr 23	$0.30	–	150,000	–	–	150,000
Total			**3,580,000**	**3,623,332**	**–**	**(640,000)**	**6,563,332**

Options granted during the year

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date (adjusted for share consolidation), are as follows:

Grant Date	Expiry Date	Share price at grant date	Exercise price	Expected Volatility*	Dividend yield	Risk-free interest	Fair value at grant date
3 Nov 17	3 Nov 22	$0.18	$0.17	90.2%	–	2.15%	10.7 cents
11 Dec 17	11 Dec 22	$0.28	$0.23	95.7%	–	2.13%	14.8 cents
12 Jan 18	12 Jan 23	$0.24	$0.26	97.6%	–	2.36%	19.3 cents
3 Apr 18	3 Apr 23	$0.27	$0.30	95.8%	–	2.34%	19.4 cents

**The expected volatility for the options granted during the year was determined with reference to the historical volatility of the Company's share price since 8 April 2016, being the date 3D Medical Limited acquired the Mach7 Technologies group of companies, up to the date of grant. This assumption was made on the basis it would be a more appropriate predictor of future volatility given the significant changes in the Company's operations and activities since that business acquisition was completed.*

23. RESERVES

	CONSOLIDATED		
	Options Reserve	Foreign Exchange Translation Reserve	Total
	$	$	$
At 30 June 2016	1,897,287	(139,425)	1,757,862
Share based payments	454,495	–	454,495
Foreign exchange on translation of subsidiaries	–	447,668	447,668
At 30 June 2017	2,351,762	308,283	2,660,045
Share based payments	**967,138**	**–**	**967,138**
Foreign exchange on share-based payments	**(16,089)**	**–**	**(16,089)**
Transfers to share capital	**(172,333)**	**–**	**(172,333)**
Foreign exchange on translation of subsidiaries	**–**	**16,090**	**16,090**
At 30 June 2018	**3,130,478**	**324,373**	**3,454,851**

Nature and purpose of options reserve

The Company has a share-based payment option scheme under which options to subscribe for the Company's shares have been granted to certain executives and other employees.

24. RELATED PARTY DISCLOSURE

Key management personnel (KMP)

Details relating to KMP, including remuneration paid, are included in note 26.

Ultimate parent

Mach7 Technologies Limited is the ultimate parent of the Group.

Subsidiaries

The consolidated financial statements include the financial statements of Mach7 Technologies Limited and its direct/indirect subsidiaries listed in the following table:

Name	Country of Incorporation	% of equity interest held by the consolidated entity	
		2018	2017
Direct subsidiaries			
3D Medical Pty Ltd^	Australia	–	100
Mach7 Technologies International Pty Ltd^	Australia	–	100
Mach7 Technologies UK Ltd	UK	**100**	100
Indirect subsidiaries			
Mach7 Technologies Pte Ltd	Singapore	**100**	100
Mach7 Technologies Inc.	U.S.	**100**	100
Mach7 Technologies Australia Pty Ltd	Australia	**100**	100
Mach7 Technologies Pvt Ltd	India	**100**	100

^Entities were wound up during the year

25. CASH FLOW STATEMENT RECONCILIATION

	CONSOLIDATED	
	2018	2017
	$	$
Net loss after tax	(4,953,396)	(17,659,098)
Adjustments for financing/investing activities, and non-cash items, included in net loss after tax		
Income tax benefit	(2,362,810)	(5,195,297)
Depreciation & amortisation	3,700,467	6,262,660
Net loss on fixed asset disposals	35,875	57,079
Share-based payments expense	967,138	454,495
Interest expense attributable to finance leases	1,039	30,912
Expenses paid with share issues (non-cash)	–	69,621
Net foreign exchange differences relating to cash & non-operating items	228	499,152
Impairment charge	–	11,675,171
Changes in current assets and current liabilities		
Decrease/(increase) in trade and other receivables	1,123,519	(2,748,018)
Decrease/(increase) in other current assets	(2,653)	138,683
Increase/(decrease) in trade and other payables	(492,023)	791,431
Increase/(decrease) in deferred revenues	(139,942)	487,683
Other adjusting items		
Other items	(63,470)	(25,282)
Net cash used in operating activities	(2,186,028)	(5,160,808)

26. KEY MANAGEMENT PERSONNEL

Compensation for Key Management Personnel

	CONSOLIDATED	
	2018	2017
	$	$
Short-term employee benefits	1,718,288	1,761,216
Post-employment benefits	50,886	68,747
Termination benefits	–	395,903
Equity-based payment	926,348	189,318
	2,695,522	2,415,183

26. KEY MANAGEMENT PERSONNEL (continued)

Shareholdings of key management personnel

Ordinary shares held in Mach7 Technologies Limited (number) by key management personnel during 2018 are shown in table 1:

Table 1.

30 June 2018	Balance 1 July 2017	Granted as remuneration	Vesting of performance rights	On-market purchases	Net change other	Balance 30 June 2018
Directors	2,085,017	150,000	886,854	505,002	–	**3,626,873**
Executives^	6,985,611	–	–	–	–	**6,985,611**
Total	9,070,628	150,000	886,854	505,002	–	**10,612,484**

^ breakdown of executives can be found in table 2 below.

Details of the Key Management Personnel holdings of ordinary shares in the Company, including their personally related parties, are shown in table 2 below:

Table 2.	Balance 1 July 2017	Additions	Disposals	Balance 30 June 2018
Dr N Finch	682,598	–	–	**682,598**
Mr N Ito	902,419	50,000	–	**952,419**
Mr M Jackman	–	1,391,856	–	**1,391,856**
Mr R Krishnan^	5,780,561	–	–	**5,780,561**
Mr D Lim#	250,000	100,000	–	**350,000**
Mrs J Pilcher^	291,668	–	–	**291,668**
Mr W Spittle	250,000	–	–	**250,000**
Mr J Rice^	913,382	–	–	**913,382**
Total	9,070,628	1,541,856	–	**10,612,484**

Damien Lim is also a Principal of BV Healthcare II Pte Ltd which holds 11,372,898 at 30 June 2018 (2017: 11,372,898).

^ Executives (other than Managing Director/CEO)

Option holdings of Key Management Personnel

30 June 2018	Balance 1 July 2017	Granted as remuneration	Options exercised	Options forfeited/ lapsed	Balance at 30 June 2018	Not exercisable	Exercisable
Directors	500,000	733,332	–	–	**1,233,332**	**725,000**	**508,332**
Executives	1,220,000	1,000,000	–	–	**2,220,000**	**1,679,998**	**540,002**
	1,720,000	1,733,332	–	–	**3,453,332**	**2,404,998**	**1,048,334**

26. KEY MANAGEMENT PERSONNEL (continued)

Details of the key management personnel holdings of options to acquire ordinary shares in the Company, including their personally related parties, are shown in the following table:

Directors/ Executives	Balance 1 July 2017	Options granted	Options forfeited/ lapsed	Options exercised	Balance 30 June 2018
Directors					
Dr N Finch	125,000	183,333	–	–	**308,333**
Mr N Ito	125,000	183,333	–	–	**308,333**
Mr M Jackman	–	–	–	–	**–**
Mr D Lim	125,000	183,333	–	–	**308,333**
My W Spittle	125,000	183,333	–	–	**308,333**
Executives			–	–	
Mr R Krishnan	340,000	200,000	–	–	**540,000**
Mr M Lampron	–	350,000	–	–	**350,000**
Ms J Pilcher	540,000	200,000	–	–	**740,000**
Mr J Rice	340,000	250,000	–	–	**590,000**
	1,720,000	1,733,332	–	–	**3,453,332**

Share options held by key management personnel under the Long-Term Incentive Plan (note 27) to purchase ordinary shares have the following expiry dates and exercise prices:

Issue date	Expiry date	Exercise price	2018 Number	2017 Number
8 Apr 2016	8 Apr 2021	$1.00	**475,000**	475,000
8 Apr 2016	8 Apr 2020	$1.00	**100,000**	100,000
9 Dec 2016	9 Dec 2021	$1.00	**125,000**	125,000
27 Jan 2017	27 Jan 2022	41c	**1,020,000**	1,020,000
3 Nov 2017	3 Nov 2022	17c	**1,000,000**	–
11 Dec 2017	11 Dec 2022	23c	**733,332**	–
			3,453,332	1,720,000

27. SHARE-BASED PAYMENT PLAN

Recognised share-based payment expenses

The expense recognised from employee services received during the year is shown in the table below:

	CONSOLIDATED	
	2018	2017
	$	$
Expenses arising from equity-settled share-based payment transactions	**967,138**	454,495

27. SHARE-BASED PAYMENT PLAN (continued)

Types of share-based payment plans

Employee Share Option Plan, 'ESOP'

A Long-Term Incentive Plan has been established and approved by shareholders where Mach7 Technologies Limited may, at the discretion of the Board, grant options over the ordinary shares of Mach7 Technologies Limited to Directors, Executives, contractors and employees of the consolidated entity. The options, issued for nil consideration, are exercisable any time two to three years after the issue date and expire four to five years after the issue date.

The exercise of the options is not subject to any performance conditions other than the employee remaining in the employ of the Company at the date of exercise. The options cannot be transferred and will not be quoted on the ASX.

The following table illustrates the number and weighted average exercise price of, and movements in, share options issued during the year:

	2018		2017	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Balance at beginning of year	**3,580,000**	**$0.525**	3,681,546	$0.60
- granted	**3,623,332**	**$0.189**	3,565,000	$0.511
- exercised	**-**	**-**	(71,166)	$0.50
- forfeited/lapsed	**(640,000)**	**$0.373**	(3,595,380)	$0.503
Balance at end of year	**6,563,332**	**$0.354**	3,580,000	$0.525
Exercisable at end of year	**1,488,344**	**$0.622**	100,000	$1.00

Performance rights issued to CEO

During the current financial year, performance rights were issued to the CEO (refer Note 22).

Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 30 June 2018 is 3 years 11 months (2017: 4 years 5 months)

Range of exercise price

The range of exercise prices for options outstanding at end of the year was $0.17 - $1.00 (2017: $0.41 - $1.00).

Weighted average fair value

The weighted average fair value of options granted during the year was $0.12 (2017: $0.236).

Option pricing model

Equity-settled transactions

The fair value of the equity-settled share options granted under the ESOP is estimated as at the date of grant using a Black-Scholes option pricing model taking into account the terms and conditions upon which the option was granted. The model takes into account the share price volatilities and co-variances of the Company, and excludes the impact of any estimated forfeitures related to the service-based vesting conditions on the basis that management has assessed the forfeiture rate to be zero.

27. SHARE-BASED PAYMENT PLAN (continued)

Options held as at the end of the reporting period

The following table summarises information about options held as at 30 June 2018:

Number on Issue	Grant date	Vesting date	Exercise Price	Expiry Date
475,000	08-Apr-16	08-Apr-18	$1.00	08-Apr-21
100,000	08-Apr-16	08-Apr-17	$1.00	08-Apr-20
125,000	09-Dec-16	09-Dec-18	$1.00	09-Dec-21
780,012	27-Jan-17	27-Jan-18	$0.41	27-Jan-22
780,002	27-Jan-17	27-Jan-19	$0.41	27-Jan-22
779,986	27-Jan-17	27-Jan-20	$0.41	27-Jan-22
866,685	3-Nov-17	3-Nov-18	$0.17	3-Nov-22
866,663	3-Nov-17	3-Nov-19	$0.17	3-Nov-22
866,652	3-Nov-17	3-Nov-20	$0.17	3-Nov-22
200,000	11-Dec-17	11-Dec-18	$0.23	11-Dec-22
200,000	11-Dec-17	11-Dec-19	$0.23	11-Dec-22
200,000	11-Dec-17	11-Dec-20	$0.23	11-Dec-22
133,332	11-Dec-17	11-Dec-17	$0.23	11-Dec-22
13,334	12-Jan-18	12-Jan-19	$0.26	12-Jan-23
13,333	12-Jan-18	12-Jan-20	$0.26	12-Jan-23
13,333	12-Jan-18	12-Jan-21	$0.26	12-Jan-23
60,000	3-Apr-18	Mar/April 2019*	$0.30	3-Apr-23
60,000	3-Apr-18	Mar/April 2020*	$0.30	3-Apr-23
30,000	3-Apr-18	11 March 2021	$0.30	3-Apr-23
6,563,332				

**various dates in March and April.*

28. EXPENDITURE COMMITMENTS

	CONSOLIDATED	
	2018	2017
	$	$
Lease expenditure commitments		
Operating leases (non-cancellable):		
Minimum lease payments		
- not later than one year	**174,096**	177,670
- later than one year and not later than five years	**14,372**	173,970
Aggregate lease expenditure contracted for at reporting date	**188,468**	351,640

The operating leases for the current financial year are in respect of the lease of the premises in the U.S. and office equipment in Singapore & Australia.

Capital expenditure commitments

There are no capital expenditure commitments, other than finance leases disclosed in notes 19 and 20, as at 30 June 2018 (2017: nil).

29. CONTINGENT ASSETS AND LIABILITIES

During the prior year the Company novated a finance lease for a 3D printer asset to a third party. The Company continues to act as guarantor for this lease through to the expiry of the lease (30 June 2019). If the third party were to default on all lease payments owing since 30 June 2018, the Company's maximum exposure is $140,242 (2017: $280,483).

Effective 1 July 2017, the Group assigned its 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 has no contingent assets at 30 June 2018 (2017: nil).

30. AUDITORS' REMUNERATION

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

	CONSOLIDATED	
	2018	2017
	$	$
Amounts received or due and receivable by the auditor of the company for:		
Audit services – RSM Australia Partners		
Audit or review of the financial statements	55,000	74,270
Other services – RSM Australia Partners		
Taxation services	22,550	20,000
	77,550	94,270
Audit services – unrelated firms		
Audit or review of the financial statements	56,235	58,478

31. PARENT ENTITY DISCLOSURE

	PARENT	
	2018	2017
	$	$
Current assets	2,051,057	2,288,435
Non-current assets	25,342,652	22,377,832
TOTAL ASSETS	27,393,709	24,666,267
Current liabilities	151,287	472,806
Non-current liabilities	219,435	217,083
TOTAL LIABILITIES	370,722	689,889
Contributed equity		
Issued capital	55,557,122	53,090,510
Reserves	3,130,478	2,351,762
Retained earnings	(31,664,613)	(31,465,894)
TOTAL EQUITY	27,022,987	39,701,866
Total comprehensive income/(loss) attributable to equity	(198,719)	(18,360,863)

32. SUBSEQUENT EVENTS

The Company is not aware of any subsequent events that have occurred since 30 June 2018 that may materially affect the financial information in this report.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Mach7 Technologies Limited, I state that:

1) In the opinion of the Directors:

   (a) The financial statements, notes, and the additional disclosures included in the Directors' Report and designated as audited, of the Company are in accordance with the *Corporations Act 2001*, including:

      I. Giving a true and fair view of the Company's financial position as at 30 June 2018 and of its performance for the year ended on that date; and

      II. Complying with Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001; and

   (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2; and

   (c) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial period ending 30 June 2018.

On behalf of the Board

Damien Lim
Chairman
Signed at Singapore on 24 August 2018

RSM Australia Partners

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INDEPENDENT AUDITOR'S REPORT
To the Members of Mach7 Technologies Limited

Opinion

We have audited the financial report of Mach7 Technologies Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, 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 30 June 2018 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters (Continued.)

Key Audit Matter	How our audit addressed this matter
Going concern Refer to Note 2 in the financial statements	
We identified going concern as a key audit matter due to the Group's history of operating losses and negative operating cash flows. For the year ended 30 June 2018, Management performed an assessment of the Group's ability to continue as a going concern. The following procedures were performed as part of this assessment: • Preparing cash flow projections up to August 2019; • Restructured management and the Board to focus on generating sales; and • Undertook a cost saving review to reduce discretionary expenses to a minimum level.	Our audit procedures in relation to going concern included: • We reviewed management's forecasts for the expected results for the 12 months from the date of signing the financial statements, including assessing the sensitivity and basis of the assumptions used; and • We reviewed the financial position and assessed a number of key ratios.
Valuation of Intangible Assets Refer to Note 14 in the financial statements	
At 30 June 2018, the Group has intangible assets with a carrying value of $14.2 million. This primarily relates to separately identifiable intangible assets relating to the acquisition of its Singapore subsidiary Mach7 Technologies Pte. Ltd. in 2016. The recoverable amount of the intangibles have been determined by a value-in-use calculation using a discounted cash flow model. We identified this area as a Key Audit Matter due to the size of the intangible assets balance and because the directors' assessment of the 'value in use' of this cash generating unit ("CGU") incorporated significant judgment in respect of factors such as discount rate and assumptions underlying the cash flows of the business.	Our audit procedures in relation to management's impairment assessment included: • Updating our understanding of management's annual impairment testing process. • Assessing management's determination of the CGU based on the nature of the Group's business and the manner in which results are monitored and reported; • Checking the mathematical accuracy of the cash flow model, and reconciling input data to supporting evidence, such as approved budgets and considering the reasonableness of these budgets; and • Challenging the reasonableness of key assumptions used, including those relating to forecast revenue, costs, working capital, projected cash flows, and discount rates.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf.
This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 19 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Mach7 Technologies Limited, for the year ended 30 June 2018, complies with section 300A of the Corporations Act 2001.

Responsibilities

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

RSM AUSTRALIA PARTNERS

R B MIANO
Partner

Dated: 24 August 2018
Melbourne, Victoria

Board of Directors and Company Secretary

Michael Jackman | CEO, Managing Director

Prior to joining Mach7, Mike was the Americas Region CEO HCIT at GE Healthcare. Mike operated as the business leader responsible for the GE Healthcare Digital business in Latin America, US, and Canada. Mike also held executive roles for Carestream Health as President of HCIT, before moving on to ISOFT Health Group as SVP Global Operations. Prior to that, Mike operated as Chief Technology Officer for Eastman Kodak where he led Kodak health care research and development globally. Mike's professional career truly got its start at IBM where he worked as Vice President of System and Technology, Personal Systems Group.

Damien Lim | Non-Executive Chairman

Mr. Lim is the co-founder and principal of Singapore-based BioVeda Capital. He has more than 22 years of experience in equity and investment banking with Director level roles at Prime Partners, Vickers Ballas and Morgan Greenfell Asia. Mr. Lim serves on a number of boards as well as grant and advisory committees.

David Chambers | Non-Executive Director

Mr. Chambers has more than 30 years' extensive experience in the Healthcare and Life Science industry and a proven track record in healthcare IT systems through a series of senior executive roles in Australia, North America, Europe, and Asia. Mr. Chambers is currently Managing Director, Asia-Pacific, of Allscripts Healthcare Solutions, a NASDAQ listed billion-dollar global leader in Healthcare Technology.

Eliot Siegel, MD | Non-Executive Director

Dr. Siegel is a well-known thought leader in the world of radiology and imaging informatics. He is currently Professor and Vice Chair at the University of Maryland School of Medicine, Department of Diagnostic Radiology, and the Chief of Radiology and Nuclear Medicine for the Veterans Affairs Maryland Healthcare System, both in Baltimore, MD. Under his guidance, the VA Maryland Healthcare System became the first filmless healthcare enterprise in the United States. He has written over 200 articles and book chapters about PACS (Picture Archiving and Communication Systems) and digital imaging, and has edited six books on the topic, including Filmless Radiology and Security Issues in the Digital Medical Enterprise. He has given more than 1,000 presentations throughout the world on a broad range of topics involving the use of computers in medicine. Dr. Siegel was symposium chairman for the Society of Photo-optical and Industrial Engineers (SPIE) Medical Imaging Meeting for three years, is currently chair of Publications for the Society of Computer Applications in Radiology (SIIM) and has been honoured as a fellow in that organization. He is Chairman of the RSNA's Medical Imaging Resource Committee and a Board member of Carestream Health, a billion-dollar global company in digital radiography and computed radiography systems.

Wayne Spittle | Non-Executive Director

Mr. Spittle brings extensive industry experience in the global healthcare sector including all imaging modalities, IT solutions and patient monitoring. He has served as Executive VP with Samsung Medison and Health and Medical Equipment division of Samsung. Previously, he was Senior VP at Philips Healthcare for Asia Pacific and CEO for Philips Electronics for ASEAN Pacific. He has extensive experience in acquisitions, product development, marketing and sales. Currently Mr. Spittle remains as a consultant at Samsung Medison and Advisor at Novum Waves.

Board of Directors and Company Secretary (continued)

Jennifer Pilcher | Company Secretary, Global CFO

Prior to joining Mach7, Jenni was the CFO of Alchemia and the CFO and Company Secretary for biotechnology company Mesoblast. Prior to joining Mesoblast, Jenni spent six years with ASX 200 Company, Spotless Group. Jenni has worked in the finance teams at Cadbury Schweppes plc. and international pharmaceutical group Medeva plc., based in London, United Kingdom. She has completed the Graduate Diploma of Applied Corporate Governance and been admitted to the Governance Institute of Australia and the international Institute of Chartered Secretaries & Administrators (ICSA). She qualified as a Chartered Accountant with Price Waterhouse in 1998.

Corporate Governance Statement

FOR THE YEAR ENDED 30 JUNE 2018

The Company's Directors and management are committed to conducting the business of the Group's business in an ethical manner and in accordance with the highest standards of corporate governance. The Company has adopted and substantially complies with the *ASX Corporate Governance Principles and Recommendations* (Third Edition) (**Recommendations**) to the extent appropriate to the size and nature of the Group's operations.

The Company has prepared a statement which sets out the corporate governance practices that were in operation throughout the financial year for the Company, identifies any Recommendations that have not been followed, and provides reasons for not following such Recommendations (**Corporate Governance Statement**).

In accordance with ASX Listing Rules 4.10.3 and 4.7.4, the Corporate Governance Statement will be available for review on the Company's website (www.mach7t.com), and will be lodged together with an Appendix 4G with ASX at the same time that this Annual Report is lodged with ASX.

The Appendix 4G will particularise each Recommendation that needs to be reported against by the Company, and will provide shareholders with information as to where relevant governance disclosures can be found.

The Company's corporate governance policies and charters are all available on its website www.mach7t.com.

Mach7 Technologies Limited

Additional Shareholder Information

AS AT 19 SEPTEMBER 2018 (REPORTING DATE)

In accordance with ASX Listing Rule 4.10, the Company provides the following information to shareholders not elsewhere disclosed in this Annual Report. The information provided is current as at 19 September 2018 (**Reporting Date**).

QUOTED EQUITY SECURITIES – ORDINARY SHARES

As at the Reporting Date, the Company had a total of 132,172,546 fully paid ordinary shares on issue. The Company's shares are quoted on the ASX, and form the only class of securities on issue in the Company that is quoted on the ASX, and that carries voting rights.

At a general meeting of the Company, every holder of ordinary shares is entitled to vote in person or by proxy or attorney; and on a show of hands every person present who is a member has one vote, and on a poll every person present in person or by proxy or attorney has one vote for each ordinary share he/she holds.

Range of holdings

An analysis of the number of shareholders in the Company by the size of their holdings is as follows:

Range	Ordinary shares	%	No. of holders	%
100,001 and Over	115,484,013	87.37	98	6.81
10,001 to 100,000	12,872,742	9.74	403	28.01
5,001 to 10,000	2,307,016	1.75	288	20.01
1,001 to 5,000	1,456,189	1.10	471	32.73
1 to 1,000	52,586	0.04	179	12.44
Total	**132,172,546**	**100.00**	**1,439**	**100.00**
Unmarketable parcels	343,564	0.27	340	23.74

Unmarketable parcels

The number of shareholders holding less than a marketable parcel of shares as at the Reporting Date (based on a closing price of $0.21 per share) was 340.

Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act as at the Reporting Date are:

Substantial holders	Number of shares held	% of total issued share capital
Oceania Capital Partners	11,428,541	8.6%
BV Healthcare II Pte Ltd	11,372,898	8.6%
JM Financial Group Limited	10,037,753	7.6%

Additional Shareholder Information

AS AT 19 SEPTEMBER 2018 (REPORTING DATE)

Top 20 shareholders

The names of the twenty largest holders of ordinary shares as at the Reporting Date are listed below:

Rank	Name	No. of shares	%
1	SANDHURST TRUSTEES LTD	15,702,605	11.88
2	OCEANIA CAPITAL PARTNERS LIMITED	12,423,153	9.40
3	BV HEALTHCARE II PTE LTD	11,372,898	8.60
4	RAVINDRAN KRISHNAN	5,780,561	4.37
5	PT DWI SATRYA UTAMA	4,792,959	3.63
6	PERCO GROUP PTY LTD	4,197,207	3.18
7	BPNT PTY LTD	3,997,009	3.02
8	TY WEBB PTY LTD	3,841,463	2.91
9	ALLARCH HEALTHCARE TECHNALYTICS FZE	3,746,733	2.83
10	PADMALWAR PRAKASH	3,569,921	2.70
11	UBS NOMINEES PTY LTD	3,051,666	2.31
12	BNP PARIBAS NOMS PTY LTD	2,975,258	2.25
13	ALBERT LIONG PAK-FAI	2,954,689	2.24
14	CHEW & PARTNERS (IMPORT & EXPORT) PTE LTD	2,900,074	2.19
15	J P MORGAN NOMINEES AUSTRALIA LIMITED	2,462,071	1.86
16	ANTONIUS RUDY SUGIARTO	2,267,113	1.72
17	MICHAEL JACKMAN	1,614,140	1.22
18	BNP PARIBAS NOMS PTY LTD	1,558,054	1.18
18	SURIN UPATKOON	1,558,054	1.18
19	CITICORP NOMINEES PTY LIMITED	1,389,904	1.05
20	AUSTRALIAN EXECUTOR TRUSTEES LIMITED	1,121,000	0.85
	Total	**93,276,532**	**70.57**
	Balance of register	**38,896,014**	**29.43**
	Grand total	**132,172,546**	**100.00**

UNQUOTED EQUITY SECURITIES

The Company has a two classes of unquoted equity securities on issue, which are described in detail below. None of the unquoted equity securities carry any voting rights. However, any underlying shares issued upon the exercise, vesting or conversion of the unquoted equity securities will carry equal voting rights with the other shares on issue in the Company.

Options

The Company has 10,423,332 unquoted Options on issue as described below. All Options were issued under the Company's Long Term Incentive Plan. Once vested, each Option is exercisable into one ordinary share in the Company upon payment of an exercise price.

Additional Shareholder Information

AS AT 19 SEPTEMBER 2018 (REPORTING DATE)

An analysis of the number of Option holders of each of class of Options by the size of their holdings (subject to rounding) is as follows:

Range	No. of Options	%	No. of holders	%
100,001 and Over	8,953,332	85.9	17	33.3
10,001 to 100,000	1,470,000	14.1	34	66.7
5,001 to 10,000	–	–	–	–
1,001 to 5,000	–	–	–	–
1 to 1,000	–	–	–	–
Total	**10,423,332**	**100**	**51**	**100**

Performance rights

The Company has 3,467,138 unquoted Performance Rights on issue. All Performance Rights are held by the CEO Mike Jackman, and were issued to him as a long term incentive.

The Performance Rights will vest into ordinary shares (on a 1-for-1 basis) in 9 tranches, subject to continuous employment and satisfaction of vesting conditions:

- 2,284,666 Performance Rights will vest in 9 quarterly tranches, between 1 November 2018 and 1 August 2020, subject to time-based and continuous employment vesting conditions.
- The final tranche of 1,182,472 Performance Rights will vest subject to prescribed performance-based conditions, and if not vested, will expire on 1 August 2020.

STOCK EXCHANGE LISTING

The Company's ordinary shares are quoted on the Australian Securities Exchange (ASX: M7T).

ON-MARKET BUYBACK

The Company is not currently conducting an on-market buy-back.

No securities were purchased on-market during the reporting period under or for the purposes of an employee incentive scheme or to satisfy the entitlements of the holders of options or other rights to acquire securities granted under an employee incentive scheme.

ITEM 7 ISSUES OF SECURITIES

There are no issues of securities approved for the purposes of item 7 of section 611 of the Corporations Act which have not yet been completed.

Mach7 Technologies Limited

Corporate Directory

Ultimate Parent Company: Mach7 Technologies Limited

ABN: 26 007 817 192

Website: www.mach7t.com

Directors and Company Secretary
Mr Michael Jackman (Managing Director, CEO)
Mr Damien Lim (Non-Executive Chairman)
Mr David Chambers (Non-Executive Director)
Dr Eliot Siegel (Non-Executive Director)
Mr Wayne Spittle (Non-Executive Director)
Ms Jennifer Pilcher (Company Secretary)

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Share Registrar
Link Market Services Limited
Tower 4, 727 Collins Street, Melbourne, VIC 3008
Telephone: 1300 554 474
Website: www.linkmarketservices.com.au

Stock Exchange Listing
Australian Securities Exchange (ASX)
Issuer Code: M7T

Solicitors
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Bankers
Westpac Banking Corporation
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Auditors
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