

Thursday 31 August 2017

## Decimal Software Limited 2017 Financial and Operational Results

### HIGHLIGHTS

- **76% increase in Annual Recurring Revenue YoY**
- **47% Revenue Growth YoY\*, expenses reduced 13% YoY**
- **New customer wins with AMP and a major bank**
- **New Equilize customer Mercer live, Statewide Super and Energy Super go lives pending**
- **IFM joins Decimal as strategic investor**
- **Former ASFA CEO Pauline Vamos appointed to Decimal Board**
- **R&D Tax Rebate, estimated at \$1.2m, boosts cash position**

*\*Excludes one-off consultancy payment*

Decimal Software Limited (ASX:DSX; “Decimal” or “the Company”) is pleased to provide this update on its financial and operational performance for the year ended 30 June 2017.

### 1. OPERATIONAL UPDATE

Decimal continues to focus on its core markets in the Australian superannuation and banking sectors, and is currently delivering several key projects including new implementations with AMP Limited’s direct advice business and other major banking clients.

*Equilize* is now live at Mercer and will shortly be live at Statewide Super in South Australia and Energy Super in Queensland.

The Company continues to grow revenue and importantly to build its Annual Recurring Revenue (ARR) streams, with further growth during the quarter increasing the year-on-year (YoY) revenue by 47% and the ARR by 76 per cent.

Expenditure continued to reduce during the fiscal year and a plan is in place for further reductions in the FY2017/18 as up-front research and development (R&D) expenditures decrease with the growing maturity of the platform.

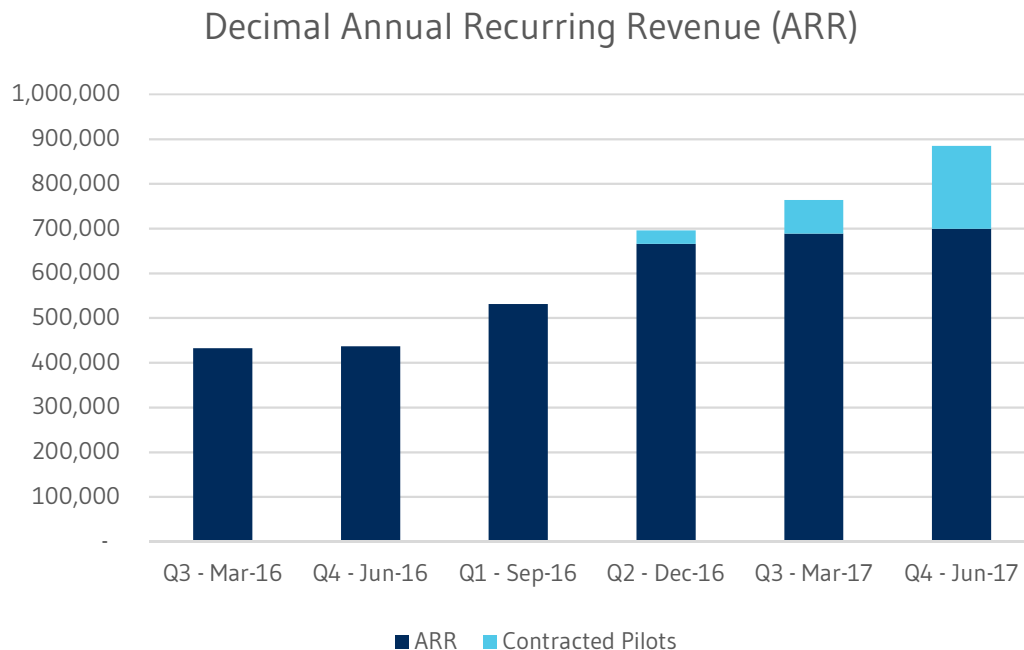
The R&D Tax Rebate has been estimated at \$1.2 million and will further boost the cash position for the company.

Decimal was pleased to welcome new Non-Executive Director Pauline Vamos to its Board, with the former CEO of the Association of Superannuation Funds of Australia (ASFA) adding further significant industry strength to the team. In July, Ms Vamos was also appointed to the Board of Mercer Superannuation (Australia) Limited.

## 2. Significant growth in revenue and ARR

Decimal recorded revenue growth of 31 per cent for the quarter with a total of \$338,703. In addition, ARR continued to grow with an increase of 76 per cent YoY to \$646,160 for FY2017, compared to \$366,809 YoY in FY2016. This excludes contracted pilots currently in delivery.

The continued growth and move of revenue to ARR was a goal for the company in FY2016, and will continue to be a focus into FY2017.



## 3. AMP enters primary implementation

In April, Decimal signed a pilot contract to trial its software in AMP Limited's direct advice business.

The scope involves the automatic generation of compliant Statement of Advice (SOA) documents for the direct advice team. The engagement is a pilot implementation under standard commercial terms. AMP revenue will not be counted in ARR until the pilot period is completed.

## 5. Mercer live, Statewide Super and Energy Super due to go live

Decimal's cornerstone *Eqilize* customers, Energy Super and Statewide Super are due to go live with the fully configurable digital advice delivery technology.

Statewide Super is South Australia's largest superannuation fund, while Energy Super is Queensland's third largest industry super fund, receiving a Platinum rating for Best Value for Money fund by Superratings for the past eight years.

Mercer has gone live with *Eqilize* across its Mercer Super Trust (MST) and with offerings to its Mercer administration clients.

## **6. IFM join Decimal as strategic investor**

In January 2017, Decimal announced a cornerstone investment from global fund manager IFM Investors, following a successful A\$2.295 million capital raising with the issue of 57,374,631 ordinary shares at \$0.04 per share.

IFM Investors is a global fund manager established more than 20 years ago and owned by 28 major superannuation funds with over A\$72 billion in Assets Under Management. It now has an overall 6.5 per cent stake in the Company following the capital raising that was led by Bell Potter Securities Limited.

## **7. Former ASFA CEO Pauline Vamos joins Board**

The company announced in May that distinguished financial services expert and former CEO of ASFA, Pauline Vamos was appointed as a Non-Executive Director to the Company's Board.

Ms Vamos is highly regarded globally as an executive leader and ambassador in financial services, complemented by her extensive superannuation knowledge and expertise.

She was CEO of ASFA for nine years and previously was Director, Financial Services Regulation – Licensing and Business Operations with ASIC.

## **8. R&D TAX Rebate estimated at \$1.2m boosts cash position**

Decimal expects an R&D Tax Rebate of \$1.2 million to be paid in early November. The R&D rebate, along with continued revenue and ARR growth, and reduced expenditure, will provide the Company with adequate cash reserves to execute on the planned growth for FY2017.

*Empowering your customers'  
financial future, today.*



**Decimal Software Limited**

**Appendix 4E**

**Unaudited Preliminary Final Report**

**30 June 2017**

## Appendix 4E 30 June 2017

**DECIMAL SOFTWARE LIMITED (Decimal or the Company)**

**ABN: 31 009 235 956**

### 1. Reporting Period

Financial year ended:	Previous corresponding period:
<b>30 June 2017</b>	<b>30 June 2016</b>

### 2. Results for announcement to the market

Description	30 June 2017 (A\$)	30 June 2016 (A\$)	% change
Revenue	1,029,750	1,149,586 <sup>1</sup>	-10%
Loss from ordinary activities	(3,506,965)	(4,039,070)	+13%
Loss for the period attributable to members	(3,506,965)	(4,039,070)	+13%
<sup>1</sup> includes a one-off receipt of \$450,830 for completion of a consultancy agreement.			

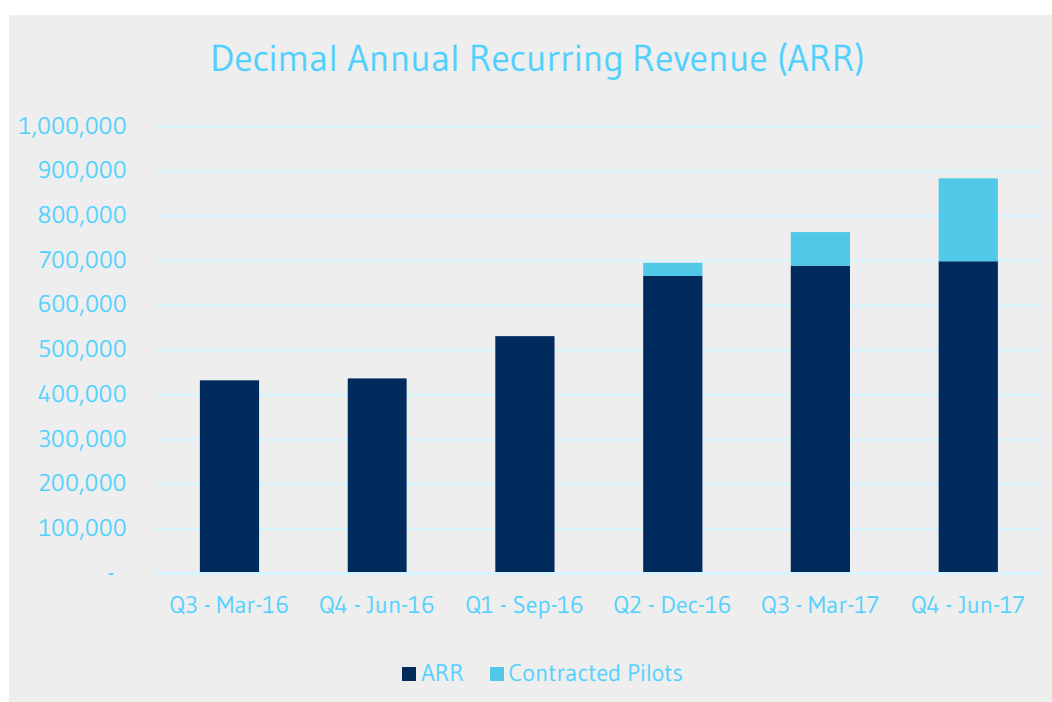
### 3. Commentary on results for the period

The Consolidated Statement of Comprehensive Income, Financial Position, Cash Flow, Changes in Equity and Notes to these Financial Statements are included on pages 6 to 12.

Decimal is an Australian technology company which has developed the world's first enterprise-focused automated financial advice and execution platform for the mass consumer market. The omni-channel, cloud based platform is designed to operate with any existing product and includes embedded compliance features. The consumer-driven software has global application.

During the period under review Decimal continued to grow its client base and customer reach. The Company increased its sales revenue by 47% from \$698,756 in 2016 (<sup>1</sup> excludes one off payment of \$450,830) to \$1,029,750 in 2017.

Annual Recurring Revenue (ARR) which is a key indicator for SaaS technology companies increased by more than total revenue by 76% from \$646,160 for FY2017, compared to \$366,809 in FY2016. This is exclusive of contracted pilot projects.



The significant increase can be attributed to the following factors:

- Statewide Super became the second client to sign up for Equilize in September 2016
- A primary installation by a retail bank
- A primary installation by AMP Direct
- Implementation of Equilize across Mercer MST (Mercer Super Trust)

Decimal's pipeline of prospects also continues to grow. Decimal's operating loss decreased 13% from \$4,039,070 in 2016 to \$3,506,965. This was driven by the higher sales revenue and lower operating costs. The R&D benefit that will be received in cash is again substantial at approximately \$1,259,160.

Decimal successfully completed a capital placement in January 2017 to raise \$2,294,985 gross before costs. The placement was for 57,374,631 shares at 4 cents per share. The placement and R&D benefit means that Decimal remains strongly positioned to achieve its objectives.

#### 4. Dividends or dividend distribution plan

Decimal Software Limited did not declare a dividend during the reporting or previous corresponding period. There was no distribution reinvestment plan in operation during the years ended 30 June 2017 and 30 June 2016.

#### 5. Earnings and Net Tangible Asset per Share

The following reflects the income used in the basic and diluted earnings and net tangible asset per share computations:

	Consolidated	
	2017 \$	2016 \$
<b>(a) Earnings Used in Calculating Earnings and Net Tangible Asset Per Share</b>		
Net loss for the year attributable to ordinary shareholders of the parent	(3,506,965)	(4,039,070)
Total Tangible Assets	1,967,298	3,185,958

	2017 Number	2016 Number
<b>(b) Weighted Average Number of Shares</b>		
For basic and diluted earnings/(loss) per share:		
Weighted average number of ordinary shares	253,391,521	204,649,209
Effect of dilution of share options	-	-
<b>Weighted average number of ordinary shares adjusted for the effect of dilution</b>	<b>253,391,521,</b>	<b>204,649,209</b>

	2017 Number	2016 Number
Loss per Share (cents per share)	(1.38)	(1.97)
Net tangible Asset per share (cents per share)	0.78	1.56

## 6. Parent Entity and Subsidiaries

### (a) Ultimate Parent

The ultimate Australian parent entity and the ultimate parent of the Consolidated Entity is Decimal Software Limited.

### (b) Subsidiaries

The subsidiaries of Decimal Software Limited are listed in the following table:

Name	Country of Incorporation	Functional Currency	Equity Interest	
			2017 %	2016 %
Decimal Technology and Systems Pty Ltd	Australia	AUD	100	100
Decimal Pty Ltd	Australia	AUD	100	100
Simpla Pty Ltd	Australia	AUD	100	100
Decimal Software (US) Inc.	United States	AUD	100	100

## **7. Associates and Joint Ventures**

The Decimal Software Limited Group do not have any holdings in joint ventures or associates.

## **8. Unaudited report**

The financial report for the year ended 30 June 2017 is in the process of being audited and Decimal will release audited financial statements on/or before 30 September 2017.



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 \$	2016 \$
Revenue		1,029,750	1,149,586
Finance income		43,373	57,558
R&D benefit		1,275,386	1,482,542
Total revenue and other income		<b>2,348,509</b>	<b>2,689,686</b>
Total expenses		<b>5,855,474</b>	<b>6,728,756</b>
Directors and employee benefits expense	1(a)	3,799,955	4,319,770
Consultant expenses		146,305	237,660
Technical expenses		416,918	390,290
Professional and public listed company fees		359,840	479,994
Travel cost and entertainment		276,969	185,199
Office related expenses		213,847	495,711
Advertising, marketing and media		386,713	211,001
Other expenses	1(b)	86,534	102,523
Depreciation, amortisation and impairment	1(c)	72,639	147,578
Share based payment expense		95,754	159,030
<b>Loss before income tax</b>		<b>(3,506,965)</b>	<b>(4,039,070)</b>
Income tax benefit		-	-
<b>Loss for the year</b>		<b>(3,506,965)</b>	<b>(4,039,070)</b>
Other comprehensive income		-	-
<b>Total comprehensive loss for the year, net of tax</b>		<b>(3,506,965)</b>	<b>(4,039,070)</b>
Basic loss per share (cents per share)		(1.38)	(1.97)
Diluted loss per share (cents per share)		(1.38)	(1.97)

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### AS AT 30 JUNE 2017

	Notes	2017 \$	2016 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		1,226,358	2,005,388
Trade receivables		27,943	79,716
Prepayments		165,044	171,286
Other receivables and other current assets	2	1,335,956	1,775,518
<b>TOTAL CURRENT ASSETS</b>		<b>2,755,301</b>	<b>4,031,908</b>
<b>NON-CURRENT ASSETS</b>			
Other non-current assets	2	11,133	7,733
Property, plant and equipment		27,707	61,769
Intangible assets		46,215	78,915
<b>TOTAL NON-CURRENT ASSETS</b>		<b>85,055</b>	<b>148,417</b>
<b>TOTAL ASSETS</b>		<b>2,840,356</b>	<b>4,180,325</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	3	197,439	376,684
Income in advance		1,487	-
Employee benefit liabilities		563,631	509,514
<b>TOTAL CURRENT LIABILITIES</b>		<b>762,557</b>	<b>886,198</b>
<b>NON-CURRENT LIABILITIES</b>			
Employee benefit liabilities		64,286	29,254
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>64,286</b>	<b>29,254</b>
<b>TOTAL LIABILITIES</b>		<b>826,843</b>	<b>915,452</b>
<b>NET ASSETS</b>		<b>2,013,513</b>	<b>3,264,873</b>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the parent</b>			
Contributed equity	4	35,021,261	32,861,410
Reserves		935,322	839,568
Accumulated losses		(33,943,070)	(30,436,105)
<b>TOTAL EQUITY</b>		<b>2,013,513</b>	<b>3,264,873</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### FOR THE YEAR ENDED 30 JUNE 2017

	Contributed Equity \$	Treasury Shares \$	Share Based Payment Reserves \$	Accumulated Losses \$	Total Equity \$
<b>Balance at 1 July 2015</b>	<b>29,580,351</b>	<b>(73,886)</b>	<b>680,538</b>	<b>(26,397,035)</b>	<b>3,789,968</b>
Other comprehensive income	-	-	-	-	-
Loss for the year	-	-	-	<b>(4,039,070)</b>	<b>(4,039,070)</b>
Total comprehensive loss for the year	-	-	-	(4,039,070)	(4,039,070)
Equity transactions:					
Issue of ordinary shares	3,500,000	-	-	-	3,500,000
Cost of share issue	(181,972)				(181,972)
Issue of options	-	-	159,030	-	159,030
Repayment of Treasury shares	-	36,917	-	-	36,917
<b>As at 30 June 2016</b>	<b>32,898,379</b>	<b>(36,969)</b>	<b>839,568</b>	<b>(30,436,105)</b>	<b>3,264,873</b>
<b>Balance at 1 July 2016</b>	<b>32,898,379</b>	<b>(36,969)</b>	<b>839,568</b>	<b>(30,436,105)</b>	<b>3,264,873</b>
Other comprehensive income	-	-	-	-	-
Loss for the year	-	-	-	<b>(3,506,965)</b>	<b>(3,506,965)</b>
Total comprehensive loss for the year	-	-	-	(3,506,965)	(3,506,965)
Equity transactions:					
Issue of ordinary shares	2,294,985	-	-	-	2,294,985
Cost of share issue	(135,134)	-	-	-	(135,134)
Issue of options	-	-	95,754	-	95,754
<b>As at 30 June 2017</b>	<b>35,058,230</b>	<b>(36,969)</b>	<b>935,322</b>	<b>(33,943,070)</b>	<b>2,013,513</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

### FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 \$	2016 \$
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(5,958,218)	(6,860,636)
Receipts from sales		1,185,985	796,249
Receipt of research and development tax rebate		1,498,767	1,779,871
Interest received		45,504	61,573
<b>Net cash flows used in operating activities</b>	5	<b>(3,227,962)</b>	<b>(4,222,943)</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		-	(2,906)
Proceeds from disposal of property, plant and equipment		(9,249)	13,169
Payments for intangible assets		-	(18,182)
Repayment/(Payment) of security deposit		253,362	3,000
<b>Net cash flows from/(used in) investing activities</b>		<b>244,113</b>	<b>(4,919)</b>
<b>Cash flows from financing activities</b>			
Receipts from share issues		2,294,985	3,500,000
Payments for share issue costs		(135,134)	(181,973)
Proceeds/(Payment)/ for treasury shares		-	36,917
Proceeds from borrowings		44,968	-
<b>Net cash flows from financing activities</b>		<b>2,204,819</b>	<b>3,354,944</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(779,030)</b>	<b>(872,918)</b>
Cash at the beginning of the year		2,005,388	2,878,306
<b>Cash at the end of the year</b>		<b>1,226,358</b>	<b>2,005,388</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Expenses

	2017 \$	2016 \$
<b>(a) Directors and Employee Benefits Expense</b>		
Directors fees, wages and salaries	3,524,192	4,006,355
Post-employment benefit expense	275,763	313,415
	<b>3,799,955</b>	<b>4,319,770</b>
<b>(b) Other Expenses</b>		
Included in other expenses is the following:		
Bad debts written off	350	85
	<b>350</b>	<b>85</b>
<b>(c) Depreciation, Amortisation and Impairment</b>		
Depreciation-computer equipment	36,727	51,450
Depreciation-furniture and fittings	2,433	2,724
Amortisation-leasehold improvements	779	780
Amortisation-intangible assets	32,700	33,386
Intangible assets impaired	-	59,237
Property, plant and equipment impaired	-	-
	<b>72,639</b>	<b>147,577</b>

### 2. Other Receivables and other Non-Current Assets

	Consolidated	
	2017 \$	2016 \$
<b>Other Receivables</b>		
R&D receivable	1,259,160	1,482,542
Interest receivable	2,174	4,306
Other debtors	49,786	-
Net GST receivable	24,836	31,909
Security deposits	-	256,761
<b>Total other receivables</b>	<b>1,335,956</b>	<b>1,775,518</b>
<b>Other non-current assets</b>		
Security deposits	11,133	7,733
<b>Total other non-current assets</b>	<b>11,133</b>	<b>7,733</b>

### 3. Trade and Other Payables

	Consolidated	
	2017	2016
	\$	\$
<b>Current liabilities-Trade and other payables</b>		
Trade payables	89,866	213,184
Accrued expenses	62,605	163,500
Premium funding	44,968	-
<b>Total current liabilities-Trade and other payables</b>	<b>197,439</b>	<b>376,684</b>

#### i) Trade Payables

Trade payables are non-interest bearing and are normally settled on 30 day terms. Due to the short-term nature of these payables, their carrying value is considered to approximate their fair value.

### 4. Contributed Equity

	Consolidated	
	2017	2016
	\$	\$
Ordinary shares fully paid <sup>(i)</sup>	35,058,230	32,898,379
Treasury Shares	(36,969)	(36,969)
	<b>35,021,261</b>	<b>32,861,410</b>

#### Notes

(i) Fully paid ordinary shares carry one vote per share and carry the right to dividends.

	2017	2016
	Number	Number
<b>Movement in ordinary shares on issue of the legal parent</b>		
At the beginning of the reporting period	229,498,524	179,498,524
Shares issued – 3 December 2015	-	26,000,000
Shares issued – 27 January 2016	-	24,000,000
Shares issued – 25 January 2017	57,374,631	-
<b>At the end of the reporting period</b>	<b>286,873,155</b>	<b>229,498,524</b>

	2017	2016
	\$	\$
<b>Movement in share capital</b>		
At the beginning of the reporting period	32,898,379	29,580,351
Issue of shares for cash	2,294,985	3,500,000
Less cost relating to share issue	(135,134)	(181,972)
<b>At the end of the reporting period</b>	<b>35,058,230</b>	<b>32,898,379</b>

	2017	2016
	\$	\$
<b>Movement in treasury shares</b>		
At the beginning of the reporting period	(36,969)	(73,886)
Issue of treasury shares		
Less treasury shares repayment received	-	36,917
<b>At the end of the reporting period</b>	<b>(36,969)</b>	<b>(36,969)</b>

## 5. Cash Flow Statement Reconciliation

	Consolidated	
	2017	2016
	\$	\$
<b>Reconciliation of Loss after Tax to Net Cash Flows from Operations</b>		
Loss from ordinary activities after income tax	(3,506,965)	(4,039,070)
<i>Adjustments for non-cash income and expense items:</i>		
Depreciation, amortisation and impairment	72,639	147,578
Loss on disposal of fixed assets	3,019	8,512
Share based payments	95,754	159,030
Bad debts written off	350	85
<i>Changes in assets and liabilities:</i>		
Decrease/(Increase) in trade receivables	51,773	99,451
Decrease/(Increase) in prepayments	6,244	(19,705)
Decrease/(Increase) in other receivables and current assets	182,801	321,056
(Decrease)/Increase in trade and other payables	(224,213)	(17,615)
(Decrease)/Increase in rent incentive payment	-	(184,150)
(Decrease)/Increase in income in advance	1,487	(521,539)
(Decrease)/Increase in employment liabilities	89,149	(176,576)
<b>Net cash flows used in operating activities</b>	<b>(3,227,962)</b>	<b>(4,222,943)</b>