

31 July 2018

Decimal Report and Update – Quarter ending 30 June 2018

- ✓ **Strategic Review progressing**
- ✓ **Total Revenue for the quarter increased by 7%**
- ✓ **Annual Recurring Revenue and Expenses steady**
- ✓ **R&D Funding facility of \$600,000 in place**

Decimal Software Limited (ASX: DSX; “Decimal” or “the Company”) is pleased to provide this update on its financial and operational performance for the quarter ended 30 June 2018.

Appendix 4C quarterly cash flow report follows this update.

1. STRATEGIC REVIEW

As previously announced, the Board of Decimal is undertaking a Strategic Review, with the assistance of its financial and legal advisors, to assess the most appropriate commercial and financial arrangements for the Company going forward.

As part of that process, the Company is currently engaged in discussions with a number of parties so as to explore all available avenues (including funding and ownership options) to ensure that Decimal is adequately funded and has the balance sheet flexibility to continue to meet its ongoing business objectives and pursue growth opportunities. A number of those parties have been granted the right to conduct preliminary due diligence enquiries in order to enable them to progress their proposals.

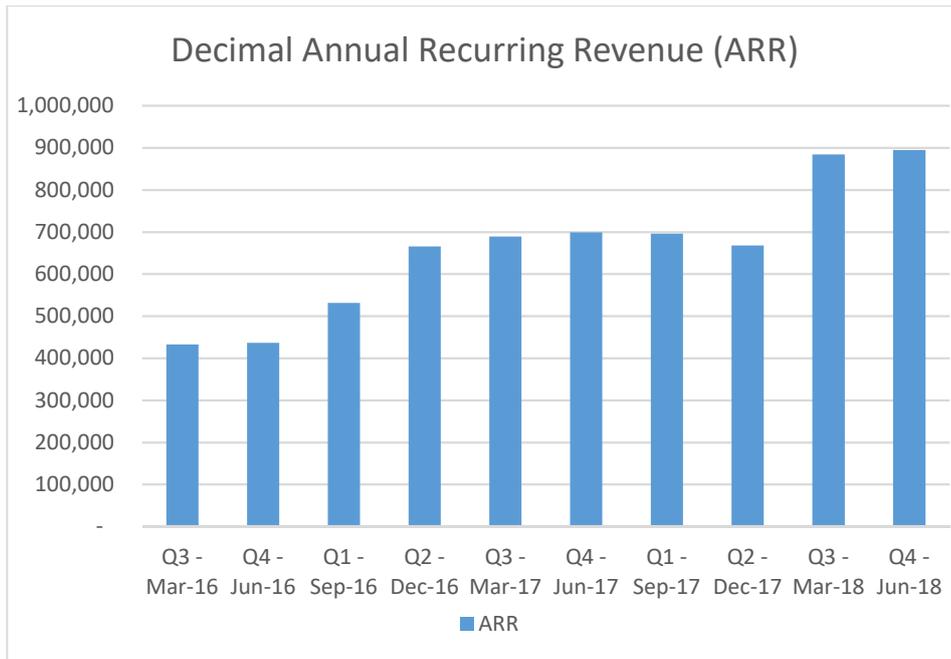
The Company expects to conclude its Strategic Review during the September quarter with a view to providing Shareholders with a recommendation regarding the future direction of the Company. There can be no assurance that the Strategic Review, or any discussions which the Company may have with any interested party, will result in a definitive proposal or transaction that may be recommended by the Decimal Board to shareholders.

The Company will continue to keep shareholders informed regarding all material developments regarding the Strategic Review.

2. REVENUE

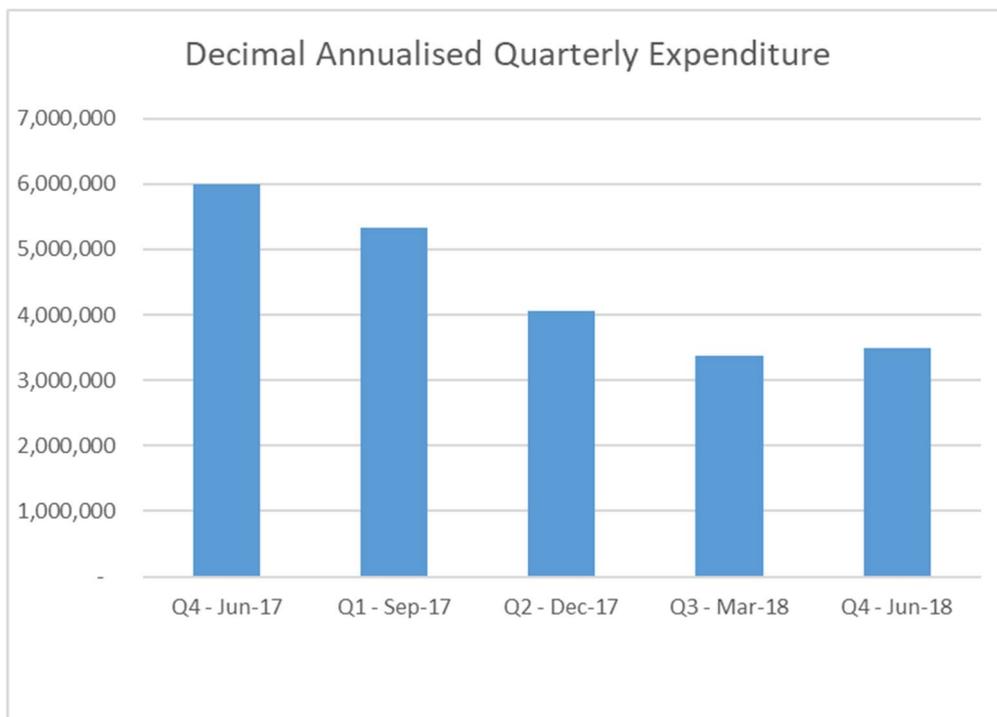
Total revenue for the quarter increased by 7% on Q3 to \$318,110 following an uplift in professional services revenue related to client initiatives.

The Company’s preferred measure, Annual Recurring Revenue (ARR) remained steady.



3. EXPENSES

Expenses over the quarter remained steady for a total annualised reduction over the last 12 months of 42%.



4. R&D FUNDING

During the quarter, the Company put in place a R&D rebate funding facility of \$600,000 from Rocking Horse Nominees Pty Ltd (“Rocking Horse”).

The Company drew down \$600,000 of the Rocking Horse facility on 3 July 2018 and the balance of the R&D rebate from the ATO of at least \$150,000 is expected to be received in Q2 2019.

5. OPERATIONS AND OUTLOOK

We continue to see elevated levels of activity in the market, as super funds and institutions begin to evaluate technology solutions for digital and automated advice. This in part is an acceptance of the need to deliver more tightly controlled advice outcomes to clients, but also reflects the growing cost constraints of the face to face, comprehensive advice channel. Our concern remains that clients may defer purchase decisions until the outcomes of the Royal Commission into banking and financial services become clearer moving into calendar 2019.

Longer term we are strongly of the view that Decimal’s target market has the potential to expand considerably, not only in terms of the breadth of solutions sought by clients, but also in the potential to take the Decimal platform into new customer segments. This will require further funding for the Company and this is being addressed as part of the Strategic Review already announced.

As noted previously, we are engaged in confidential, incomplete discussions with a number of parties that have indicated an interest in investing in Decimal. This interest includes potential change of control transactions and cornerstone investments, to enable the Company to accelerate its product roadmap and pursue the growth opportunities emerging for digital advice solutions. At this point, all these discussions are indicative, incomplete and not sufficiently advanced to present to shareholders.

It is our expectation that the strategic review will conclude during the September quarter, and the Board of Decimal are confident of being in a position to present an executable proposal to shareholders for their consideration within that timeframe. In support of this process the Company has put in place additional funding facilities to ensure it can continue to cover expected cash outflows through until the end of calendar 2018.

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

DECIMAL SOFTWARE LIMITED

ABN

31 009 235 956

Quarter ended ("current quarter")

30 JUNE 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	263	1,179
1.2 Payments for		
(a) research and development	(392)	(1,793)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(21)	(361)
(d) leased assets	-	-
(e) staff costs	(277)	(1,419)
(f) administration and corporate costs	(199)	(773)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	12
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	1,171
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(623)	(1,984)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	-	-

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	867
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	(5)
3.5 Proceeds from borrowings	72	672
3.6 Repayment of borrowings	(14)	(663)
3.7 Transaction costs related to loans and borrowings	-	(6)
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	58	865

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	672	1,226
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(623)	(1,984)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4 Net cash from / (used in) financing activities (item 3.10 above)	58	865

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	107	107

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	67	632
5.2	Call deposits	40	40
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	107	672

6.	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	131
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	Not applicable
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

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7.	Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1	Aggregate amount of payments to these parties included in item 1.2	-
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

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8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	600	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

The Company has a facility with Rocking Horse Nominees Pty Ltd secured against the Company's R&D Rebate that is expected from the ATO in November 2018. The Company drew down \$600,000 on 3 July 2018.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	367
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	15
9.4 Leased assets	-
9.5 Staff costs	268
9.6 Administration and corporate costs	180
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	830

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity		
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:



David Gardner
Company Secretary

31 July 2018

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.