Decimal Software Limited
Annual Report

30 June 2018

Contents

Empowering your customers' financial future, today.

Corporate directory

Directors:	Mr Mark Potts Mr Jan Kolbusz Mr Gary Cox Ms Pauline Vamos
Company Secretary	Mr David Gardner
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Stock Exchange Listing:	ASX Home Branch – Perth Level 40, Central Park, 152-158 St George's Terrace Perth, WA 6000
ASX Code:	DSX – Fully Paid Ordinary Shares
Bankers:	Australia and New Zealand Banking Group Limited Level 1, 1275 Hay Street West Perth, WA 6005
Solicitors:	Corrs Chambers and Westgarth Brookfield Place 123/125 St. Georges Terrace Perth, WA 6000
Auditor:	Ernst and Young 11 Mounts Bay Road Perth, WA 6000

Who we are

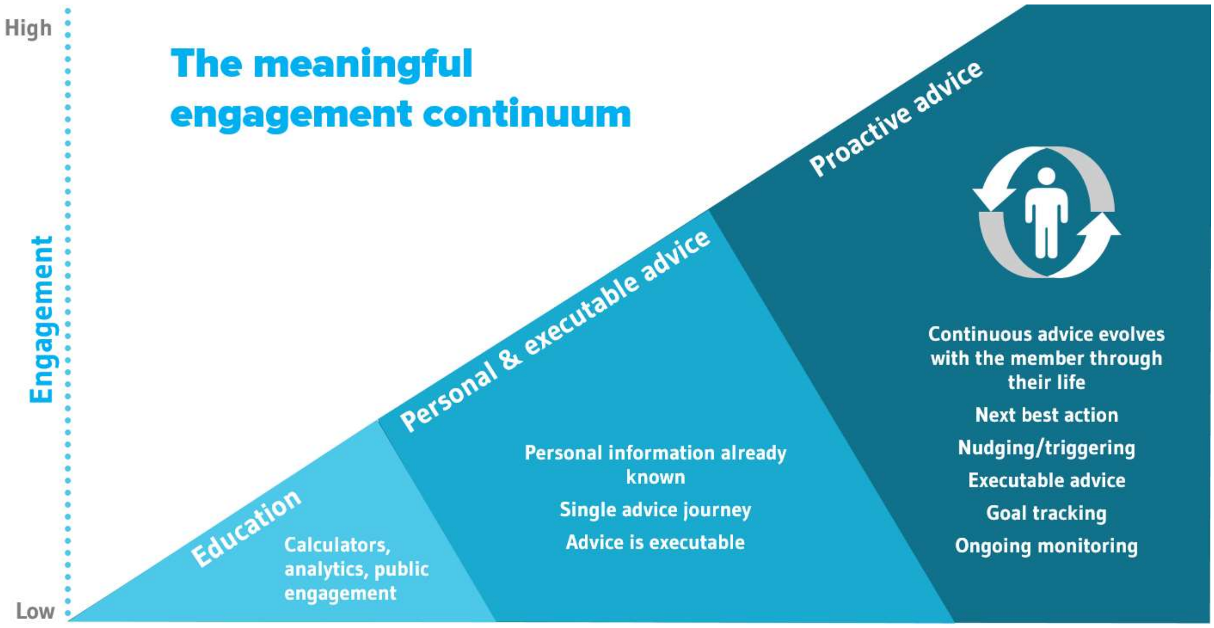
Our purpose is to enable financial advice to be available to all Australians via advice delivery technology solutions.

We believe our customers want all members of superannuation funds to be able to access financial advice across channels when and where they choose.

We partner with banks, superannuation funds and fund administrators already entrusted to deliver advice to the community in which they operate as a whole by utilising Decimal's unique technology.

To achieve this, we have developed the world's first enterprise-focused omni advice channel delivery technology. Our software enables our customers to provide consistent, fully compliant financial advice across multiple platforms of digital, phone or face to face, across numerous topics such as savings, superannuation, insurance and retirement, as well as investments.

Decimal is headquartered in Australia and listed on the ASX under the code DSX.



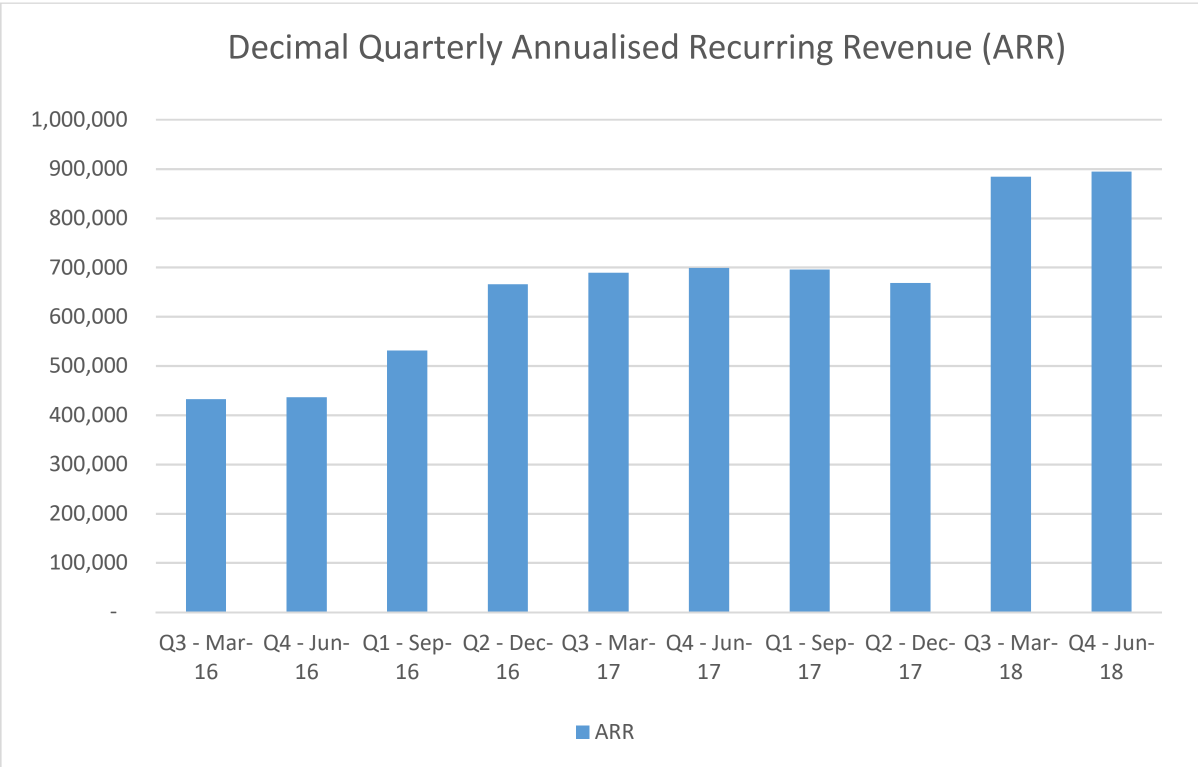
Operating highlights

Increased annual recurring revenue 28 per cent

Decimal achieved an increase in annual recurring revenue (ARR) of 28 per cent in 2018, off the back of a solid increase of 76 per cent in 2017. This is exclusive of the contracted pilots that were initiated in 2017 with some major organisations. During FY2018 these evaluations concluded and did not progress beyond pilot phase.

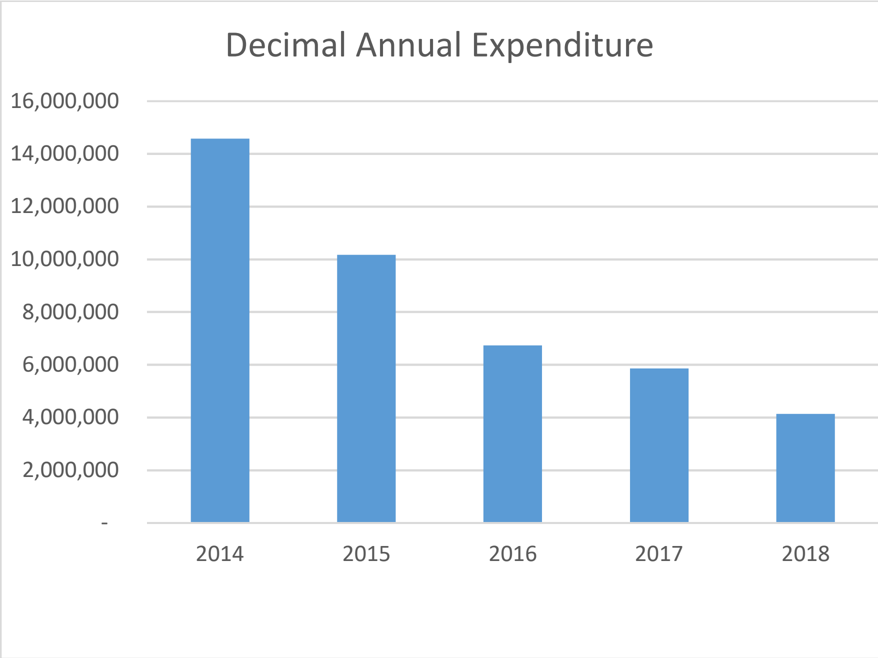
ARR is growing faster than total revenue, which was 4 per cent higher year on year for sales receipts.

ARR is a forward looking measure, at any given point in time that represents the portion of the company's revenue that is highly likely to continue in the future. Decimal ARR does not include additional one-off payments, implementation services revenue or contracted pilots. Contracted pilots provide a gateway to deliver increased revenue and a highly-qualified pipeline for Decimal. Tier 1 customers will typically pilot before agreeing to multi-year contracts.



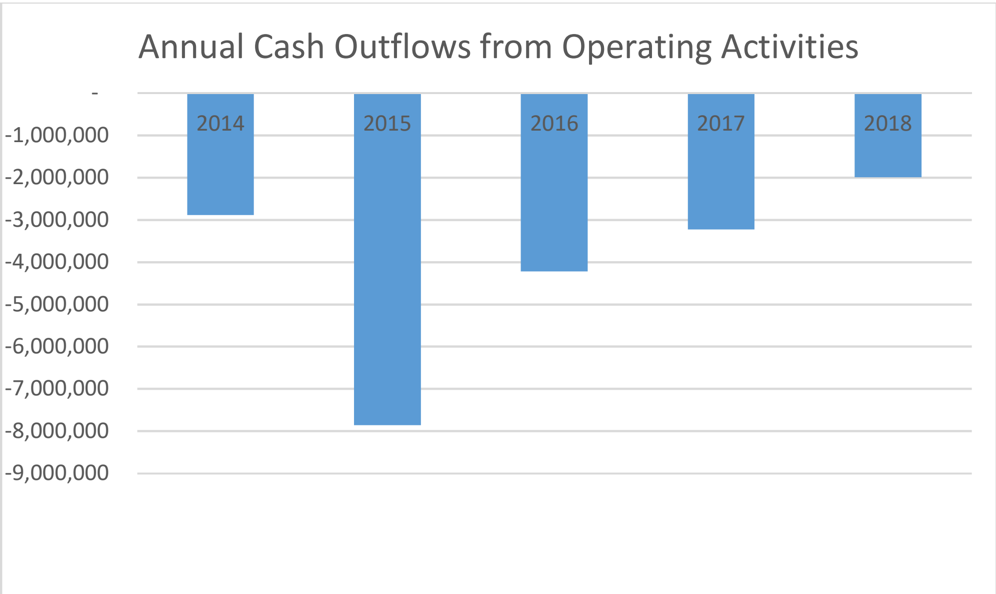
Annual expenditure down 29 per cent

Decimal reduced its annual expenditure by 29 per cent in 2018 when compared to 2017. The structure of the cloud-based architecture is resource efficient and the Company has continued to reduce non-core development overheads further whenever possible.



Cash outflow from operating activities improved by 38 per cent

On the back of annual expenditure savings, cash outflows from operating activities have improved by 38 per cent.



Research and Development

During the year, the Company has continued to allocate funds to research and development, although at a reduced rate compared to previous years. As the platform has matured, the requirement for core R&D has diminished accordingly. Having said that the market for digital advice continues to develop and our platform will require ongoing investment. This investment by definition will become more speculative and higher risk, as we test the feasibility of bringing new innovations to the Decimal platform.

Over the course of the past 12 months, the Decimal team has been working on a number of projects, key among them including:

Mobile first re-design:

Delivery of the capability to provide automatically produced personal financial advice delivered to a mobile phone device and allowing the advice to be implemented direct from the phone.

Develop annuity algorithms with market facing algorithms:

Enhance the retirement planning experience by developing new annuity algorithms and projections with market facing retirement modelling, delivered digitally.

Change to integrated smart calculators:

The concept of 'smart calculators' or integrated calculators for personal financial planning are generally not available within a single technology and if Decimal can achieve this, will be a source of differentiation.

Chairman's letter

On behalf of the Decimal Board, I am pleased to present the FY2017-2018 Annual Report to shareholders, in what is likely our last report to you as an independent entity given our recent announcement regarding the proposed acquisition of Decimal by Sargon Capital.

Whilst this letter is designed to focus on our progress over the last 12 months, I feel it is important that I provide a wider reflection on the circumstances that have led to the proposal, so that you have some appreciation and context as viewed from the Boards perspective. The core business highlights have already been noted, so I will not canvass them again here.

Overview of FY 2018

The last 12 months has been a period of considerable change for the Decimal business, the financial services industry and our customers as a whole.

At the end of 2017 the Board formed a view that the existing "direct to customer" sales approach was leading to a prohibitively high cost of customer acquisition and moved to develop indirect channels and routes to market, for smaller deals and customer segments, while maintaining direct sales for larger opportunities.

This was brought about not just by the need to lower field selling costs as a % of revenue, but also seeing changes in the market. By early 2018 we had already seen a number of potential clients defer selection process and so we felt at that time it was prudent to assume significantly longer sales cycles would persist until clients had more clarity around the outcomes emerging post the Royal Commission into Banking and Financial Services.

The Board also formed the view that in the dynamic market we envisaged, Decimal required greater levels of industry expertise and so resolved to appoint a CEO with deeper industry experience and skills across retail financial services and advice. Accordingly, Damon Watkins was appointed CEO earlier this year and has only reinforced to the Board the merits of that decision and his appointment.

During this time Decimal continued to grow our revenue base and significantly increased our Annual Recurring Revenues off that back of new clients moving into production and expanded deployments at some of our largest customers. However as our CEO notes in his report, "achieving financial self-sufficiency would only be achieved through a material uplift in sales and client revenues", or significant further capital. As such the Board concluded quickly that a more fundamental review of the Decimal strategy, beyond go-to-market was required.

The scope of the formal strategic review process was to assess the most appropriate commercial and financial arrangements for Decimal going forward (including, but not limited to, deeper partnerships, strategic investment, and ownership options). Deloitte were appointed to assist with the process, and clear timelines and milestones were put in place to ensure there was sufficient time to execute the strategic options considered most favourable. The review concluded with the recent announcement of the proposed acquisition of Decimal by Sargon. I will not pre-empt the publication of the Scheme booklet with an analysis of the issues for Shareholders here, other than to say the proposal has the full and unanimous support of the Decimal Board (in the absence of a superior proposal and subject to an independent expert concluding that the Proposal is in the best interests of Decimal's shareholders).

I know some shareholders may be disappointed in the financial outcome, given the promise of the market and the Decimal technology (I myself am a considerable shareholder and share some of that sentiment). However, having concluded a rigorous strategic evaluation, considering all material alternatives, including extensive and broad engagement with interested parties, the Board considers the Sargon proposal superior to all other alternatives, and the best outcome for Decimal and its shareholders.

On a personal note……

Reflecting on my 2 years as chairman, Decimal has faced considerable headwinds, not least of which is being a listed ASX entity and at the same time a start-up in a highly regulated market, two characteristics I don't believe are particularly compatible.

Through the strategic review process it has been interesting when meeting a number of Private Equity and Fund management firms, where minimum investment thresholds are now being set (in some circumstances as high as $50-$100m). This has implications for future capital formation in Australia, without a more vibrant venture capital market, how Australia will be able to fund our start-ups and entrepreneurs is going to become a challenge if we want to establish a technology innovation culture domestically.

Despite these headwinds Decimal has been a pioneer for digital advice, is the most widely deployed solution in our market segment, and has been very fortunate to work with some early adopters and brand name clients who helped us evolve the technology and bring great value to them and their members. We thank our clients for their continued support of our business.

Finally, having been involved with many start-ups here and in the US, new technology companies are successfully built based on a combination of market timing, product fit, great people and hard work. Decimal has been built on the passion and hard work of many great people over the years and all employees, past and present should all be proud of what has been achieved.

Mark Potts

Mark Potts
Chairman, Decimal

Empowering your customers' financial future, today.

CEO update

The past 12 months have been a somewhat ‘bittersweet’ period for Decimal for a number of reasons that I will elaborate on below. On the one hand we can read in the newspapers every day of the shortfalls exposed through the Royal Commission into Banking and Financial Services and can see clearly how Decimal’s technology can be applied to many of these institutions to assist them deliver more robust, compliant and cost-effective general and personal advice.

On the other hand, the enquiry still has some months to conclude, and is more likely to extend into 2019 before recommendations are published, allowing our clients to assess the regulatory implications and determine the best path forward for their digital advice strategies. However, there is little doubt across the industry that automated advice technology such as Decimal’s will play a key role in the shifting advice landscape over the years ahead.

In an environment such as this, the challenge has been to find ways to grow deployments in new and existing customers without incurring significant customer acquisition costs, and to manage our cost profile materially lower to enable us to evolve with the market through times of uncertainty in our market segment.

Whilst our sales results have not been what we had expected, operationally the team have worked diligently over the year to deliver a number of significant milestones including;

- The launch into production of Statewide Super delivering omni channel digital advice
- The launch of the Decimal ‘mobile first’ platform which included an upgraded multi-platform user interface
- Extending our digital advice footprint into leading existing clients such as QSuper and Mercer

Sales and Revenue

Total revenue has been in line with 2017 results which has been satisfactory, however our focus over the year has been ensure we can lift our Annual Recurring Revenue (ARR) as this is key financial measure of long term value to shareholders. In this regard, we are pleased to have achieved a material increase in ARR over the previous 12 months of around 28% reflecting newer clients moving into production, and an uplift in existing client contracted revenues.

This has been achieved in a period when we significantly changed our go-to-market strategy. Previously Decimal maintained a significant direct sales capability, which, in a slower market with longer sales cycles, lead to unsustainable costs of customer acquisition, given the lifetime value of clients in our customer segments.

Accordingly, we moved to include and leverage a more indirect, channel driven sales model through relevant partners in the advice eco-system, either as an ‘OEM’ style distribution model, or through actively partnering in joint sales pursuits for the boarder digital solutions we were seeing come to market.

This is best evidenced through our partnership with AHC who dominate the market for engagement tools to super funds in Australia.

Operational

Aligning our costs to better reflect our revenue profile has continued to be a major focus for Decimal over the last 12 months, and I am pleased to say that we have reduced our 'run rate' costs from around $6m in Q4 2017 to nearer $3.5m in Q4 2018. There is limited further capacity for cost reductions given that Decimal is an enterprise grade platform that requires significant ongoing research and development, maintenance, and support for our current clients in production and future opportunities. As such, achieving financial self-sufficiency can only be achieved through a material uplift in sales and client revenues, and this is our clear focus moving forward.

We have been able to make reductions in our Research and Development spend given the growing maturity of the platform in recent years, however we continue to invest in our product to facilitate future client and growth opportunities though we expect our R&D work program to be more targeted and speculative in nature going forward. We are, and will be evaluating the feasibility and potential for more significant technical developments including artificial intelligence, machine learning and conversational UX.

Strategic review

Since my appointment in March I have been actively working with our financial and legal advisers to determine the best long term strategy for the Decimal business.

I am strongly of the view that Decimal's target market has the potential to expand considerably longer term, 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. Our challenge, like many small emerging technology companies is to ensure that Decimal is adequately funded and has the balance sheet flexibility to realize these opportunities.

Over the last few months we have engaged with many different organisations (financial institutions, private equity, and wealth management platform businesses etc.) to look at strategic options including, but not limited to, equity investment, strategic partnerships and ownership options. The outcome of these discussions, both comprehensive and broad, is the recent announcement (20/9/2018) of the Binding Proposal for Sargon Capital Pty Ltd to acquire all of the shares of Decimal for a consideration of 1.41 cents per share.

The Board will address the merits of the proposal in the scheme booklet, what is appropriate for me to say here is that from the Company's point of view, this proposal provides certainty not only for shareholders (in what is an uncertain environment) but equally important it leaves Decimal's existing customers and staff in good hands as Sargon shares our passion for the future for digital financial advice and has a well-capitalised balance sheet that will allow Decimal to further penetrate the market and continue to build out our product offering.

Most importantly, Sargon brings deep technology and operating experience and an extensive client base in relevant and adjacent segments including responsible entity, trustee services, and advice.

A final thank you

To our staff who throughout what has been a difficult year of change (operational and leadership) have remained resolutely focussed on the needs of our clients and have continued to represent Decimal with professionalism delivering value to both our clients and their members.

Damon Watkins
Chief Executive Officer, Decimal

Directors' report

The Directors of Decimal Software Limited present their report on the Consolidated Entity consisting of Decimal Software Limited ("**Company**" or "**Decimal Software**" or "**Decimal**") and the entities it controlled at the end of, or during, the year ended 30 June 2018 ("**Consolidated Entity**" or "**Group**").

Directors

The names and details of the Company's Directors in office at any time during the financial year or since the end of the financial year are:

Mr Mark Potts	Non-Executive Chairman (Appointed 14 June 2016)
Mr Jan Kolbusz	Non-Executive Director (Appointed 11 April 2014 as an Executive Director and moved to Non- Executive on 11 August 2017)
Mr Gary Cox	Non- Executive Director (Appointed 1 December 2015)
Ms Pauline Vamos	Non- Executive Director (Appointed 18 May 2017)
Mr Nic Pollock	Chief Executive Officer (Appointed 23 November 2015) and Executive Director (Appointed 1 February 2016) ceased being the CEO and Director on 6 March 2018.

Directors and Officers

Mr Mark Potts, Non-Executive Chairman

Mr Mark Potts is the non-executive chairman and was appointed to the board in June 2016. Mr Potts has held senior executive and board positions, in start-ups and large corporate environments, over a 30-year career. Most recently Mr Potts was the worldwide CTO and VP for Corporate Strategy at Hewlett Packard Enterprise. Prior to Hewlett Packard, Mr Potts was the founder of several successful, venture backed start-ups, that have driven technology disruption and business innovation in varied industries.

Mr Potts is a non-executive director at Virtual Gaming World (appointed 2017), Resolute Mining Ltd (appointed 2017), iCetana (appointed 2018), board adviser to Advara (appointed 2014) and Modis Australia (appointed 2010).

Mr Jan Kolbusz, Non-Executive Director

Mr Kolbusz is the founder and former executive director of Decimal Group Pty Ltd that was legally acquired by Decimal Software Limited with effect from 11 April 2014. Mr Kolbusz was formerly the Director, Technology and Operations of Asgard. Mr Kolbusz spent over nine years at Asgard, pioneering portfolio administration platforms, before driving further innovation and profitability following the company's successful acquisition by St George Bank. Mr Kolbusz was also a Director of Consulting at Ernst & Young.

Prior to his time at Ernst & Young, Mr Kolbusz worked for US headquartered Baxter Healthcare, including managing the US to Australia conversions and implementations of integrated hospital systems. Mr Kolbusz began his career working across a variety of technical and management roles on large-scale IBM platforms. Mr Kolbusz is a Fellow of the Institute of Company Directors and has a double major in Mathematics and

Computer Science from the University of Western Australia and a Masters in Information Systems from Curtin University.

During the past three years, Mr Kolbusz has not served as a director of any other listed company.

Mr Gary Cox, Non-Executive Director

Mr Cox has had a highly successful and diverse career in business. He has had substantial experience in the IT sector, particularly in building his own IT recruitment business which was ultimately sold to one of the world's largest IT recruitment firms, Adecco. During his time in this business Mr Cox gained considerable insight into the IT sector and brings experience in structure, costs and revenue models relevant to the IT industry. He was General Manager for Optus in WA and oversaw its successful start-up and launch for four years. More recently he has built a successful business which he is in the process of divesting.

During the past three years, Mr Cox has not served as a director of any other listed company.

Ms Pauline Vamos, Non- Executive Director

Pauline is a high profile expert in all aspects of the superannuation industry and has deep knowledge and experience in regulation, governance and financial advice in Australia and overseas. Pauline has been on all sides of the financial services fence and has a reputation for her integrity as well as her skills in stakeholder management, strategy and public policy development. Pauline spent nine years as CEO of ASFA, the peak body for superannuation.

During the past three years, Ms Vamos has not served as a director of any other listed company.

Mr Damon Watkins, Chief Executive Officer

Damon's previous roles over more than 20 years in financial services span asset management, advice delivery and corporate superannuation. Most recently Damon ran his own financial planning practice focused on corporate superannuation and he is a qualified Financial Planner.

Prior to this, Damon enjoyed leadership roles with AMP and Prudential in Australia and the UK in sales, product management and B2B distribution. In more recent years he was a senior executive with FIS software, a leading platform vendor focussed on delivering back office solutions to financial services businesses. As Executive VP APAC, he was responsible for all of FIS activities in the region, and worked alongside top tier consulting firms including IBM, Accenture and EY in delivering these implementations.

During the past three years, Mr Watkins has not served as a director of any other listed company.

Mr David Gardner, Company Secretary & Head of Finance

Mr Gardner is a Chartered Accountant and Chartered Secretary and commenced his career with Ernst & Young in Business Services in Brisbane and Melbourne. With over 20 years' experience in the accounting profession, David joined the Company after eight years with Liquefied Natural Gas Limited as Company Secretary. Mr Gardner has extensive experience in accounting, tax, corporate governance, capital raising and investor relations.

During the past three years, Mr Gardner has not served as a director of any other listed company.

Mr Nic Pollock, Chief Executive Officer and Executive Director

Mr Pollock is an accomplished technology executive who has been operating in the enterprise software and professional services market at senior levels for over 20 years. Commencing in banking technologies for Natwest in London, he then moved quickly to regional and global leadership roles. During this period, he worked with enterprise software leader Oracle and was also Managing Director, Asia Pacific with Gemcom, the world's biggest supplier of resources industry planning and scheduling software. Mr Pollock was also the President of Mincom, Asia Pacific which was Australia's largest software company before being acquired by ABB. Mr Pollock has experience leading and consulting to emerging technology businesses through to commercialization and rapidly growing sales.

During the past three years, Mr Pollock has not served as a director of any other listed company.

Principal activities

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

Prior to now this has not been viable or technically possible, providing Decimal with a first mover advantage. Decimal partners with financial institutions of all sizes including banks, super funds, and insurers to enable the execution of financial service advice via a seamless omni-channel solution. Decimal's focus is on financial institutions, rather than end users, and digital packages could positively impact the superannuation, annuities, savings and investment funds of millions of low-to-middle income Australians.

Significant change in the state of affairs

Total equity decreased to $507,632 from $1,924,989, a decrease of $1,417,357. The movement was largely due to the loss for the year offset by the capital placement that was completed in January 2018. Refer to all equity notes 18, 19 and 20 for further movements in equity.

Significant events after balance date

The Company put in place a R&D rebate funding facility of $600,000 from Rocking Horse Nominees Pty Ltd. It was fully drawn down on 3 July 2018.

On 20 September 2018, the Company entered into a binding Scheme Implementation Agreement ("SIA") with Sargon Capital Pty Ltd ("Sargon") under which Sargon has agreed to acquire 100% of the issued shares in the Company for *1.41 cents* cash per share by way of a Court approved scheme of arrangement ("Proposal").

The cash consideration of *1.41 cents* per Decimal share offered under the Proposal represents a 76% premium to the last closing price of Decimal shares of 0.80 cents on the day of announcement, and a 35% premium to the 30 day VWAP of Decimal shares on ASX prior to the date of this announcement.

Sargon is a private company that provides financial institutions and entrepreneurs with the technology and infrastructure they need to successfully build and grow investment funds and financial products.

On 31 July 2018, Sargon entered into a loan agreement with the Company to advance $300,000 at an interest rate of 8% per annum for general working capital. The advance is to be repaid 6 months after the date of the agreement.

On 20 September 2018, Sargon entered into another loan agreements with the Company to advance $300,000 at an interest rate of 8% per annum for general working capital. The advance is to be repaid 6 months after the date of the agreement.

As at the date of this report, the Company has not drawdown on either loan.

Employees

The Group employed 15 employees at 30 June 2018 (30 June 2017: 24 employees).

Earnings per share

	2018 Cents	2017 Cents
Basic loss per share	**(0.77)**	(1.42)
Diluted loss per share	**(0.77)**	(1.42)

Dividends

No dividend has been declared, provided for or paid by the Consolidated Entity in respect of the financial year ended 30 June 2018 and the Directors do not at present recommend a dividend.

Review and results of operations

An overview of Decimal's operations and products are included in the *Chairman's letter*, the *CEO update* and the *Who we are* section of the Annual Report.

More information on the operating results, financial position and cash flow movements are included in the Financial Statements which forms part of the Annual Report.

Risk management

As part of its risk management the Board has developed a Risk Management Framework and in its approach to risk it considers the nature and scale of the Group's activities. This includes monitoring actual performance against budgets and forecasts. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Consolidated Entity's objectives and activities are aligned with the risks and opportunities identified by the Board.

Risk management forms part of all strategic, business planning and day to day operational activities. Business risks are determined on a departmental basis and continuously evaluated with a view to establishing an acceptable level of risk in each area. The Board reviews the consolidated risk appetite for residual risks and ensures it is aligned with Decimal's group strategy.

Decimal's management reviews all the risk registers per department on a regular basis and compiles a consolidated risk register and presents it to the Board. Strategies are developed for all the material risks on the consolidated risk register. On an annual basis the board reviews the Company's policies on risk management to satisfy itself that management has developed and implemented a sound system of risk management and internal control.

The material business risks faced by the Company that can have an effect on the financial prospects are as follows:

- Protection of intellectual property;
- Government policies and legislation;
- Retention of key employees;
- New market entrants or technological developments; and
- Macro-economic environment.

Likely developments and expected results

The Company enters FY2017-2018 with a positive outlook and is well positioned to drive further growth. With no current direct competitors in the B2B enterprise digital advice solutions market, Decimal has a unique opportunity to become the preferred supplier for superannuation funds, aggregators and banks, both in Australia and overseas.

The Group's software can integrate with any financial institution in Australia and with ASIC's focus on compliance, we are well positioned to offer customer-focused digital advice solutions that enterprises can roll out with confidence.

Other than as referred to in this report, due to the nature of the business, future information as to likely developments in the Consolidated Entity would, in the opinion of the Directors, be speculative.

Directors' interests

As at the date of this report, the Directors' interests in the securities of the Company are as follows:

	Interest in Securities at the Date of the Report	
	Ordinary Shares [1]	Options[2]
Mr Mark Potts	2,894,707	1,333,334
Mr Jan Kolbusz	12,571,032	3,000,000

Mr Gary Cox	718,000	500,000
Ms Pauline Vamos	-	-

Notes

1. "Ordinary Shares" means fully paid Ordinary Shares in the capital of the Company.
2. "Options" means an option to subscribe for one Ordinary Share in the capital of the Company.

Share options

At the date of this report the following options have been issued to directors to acquire Ordinary Shares in the Company:

- 3,00,000 options exercisable at $0.12, vested on 27 January 2016 and expiring on 27 January 2019.
- 500,000 options exercisable at $0.60, vested on 1 July 2017 and expiring on 30 June 2019.
- 666,666 options exercisable at $0.12, vested on 30 November 2016 and expiring on 14 June 2019.
- 666,668 options exercisable at $0.24, vested on 30 November 2016 and expiring on 14 June 2020.

Remuneration report (audited)

This Remuneration Report, which forms part of the Directors' Report, sets out information about the remuneration of key management personnel ("KMP") of the Group.

Details of KMP

Details of the KMP of the Group during or since the end of the financial year are set out below:

Directors

Mr Mark Potts	Non-Executive Chairman (Appointed 14 June 2016)
Mr Nic Pollock	Chief Executive Officer (Appointed 23 November 2015) and Executive Director (Appointed 1 February 2016) ceased being the CEO and Director on 6 March 2018.
Mr Jan Kolbusz	Non- Executive Director (Appointed 11 April 2014 as an Executive Director and moved to Non- Executive on 11 August 2017)
Mr Gary Cox	Non-Executive Director (Appointed 1 December 2015)
Ms Pauline Vamos	Non-Executive Director (Appointed 18 May 2017)

Executives

Mr Damon Watkins	Chief Executive Officer (Appointed 6 March 2018)
Mr Stewart Cochrane	Regional Manager Australia and New Zealand (Appointed 1 March 2016 and resigned 18 August 2017)
Ms Susan Landers	Key Accounts Director (Appointed 30 January 2017)

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Remuneration policy

The Group's remuneration policy for its KMP has been developed by the Board taking into account the size of the Group and the management team, the nature and stage of development of the Group's current operations, and market conditions and comparable salary levels for companies of a similar size and operating in similar sectors.

Executive and key management personnel remuneration

The remuneration structure for KMP is based on a number of factors, including, particular experience of the individual concerned and their role within the organisation. The Group's remuneration policy is to provide a fixed remuneration component and a performance based component (short-term incentive and long-term incentive). The Board believes that the remuneration policy is appropriate in aligning executives' objectives with shareholder and business objectives. The contracts of service between the Group and KMP are on a continuing basis.

Fixed remuneration

Fixed remuneration consists of base salaries as well as employer contributions to superannuation funds. Fixed remuneration is reviewed annually by the Board. The process consists of a review of company and individual performances, relevant comparative remuneration, externally and internally, and where appropriate, external advice on policies and practices.

Performance-based remuneration: Short-term incentive (STI)

Executives may be entitled to an annual cash bonus in future upon achieving various key performance indicators ("KPIs"), as set by the Board. Having regard to the current size, nature and opportunities of the Company, the Board has determined that these KPIs will include measures such as:

- Achieving strategic, financial and operational targets;
- New customer numbers;
- Development activities; and
- Business development activities.

These measures were chosen as the Board believes these represent the key drivers in the short- and medium-term success of the Company's development. On an annual basis, subsequent to year end, the board assesses performance against each individual executive's KPI criteria.

No cash bonuses were paid to executives during 2018.

The Group paid short-term sales commission incentives during the year ended 30 June 2018 that were based on sales executives achieving pre-determined quotas. The quotas are reviewed at least annually.

Sales commissions of $23,698 were paid during the year.

Performance-based remuneration: Long-term incentive

The Board issued 25,500,000 options (refer *Options Granted to Key Management Personnel during the year ended 30 June 2018* in Remuneration Report) in the financial year under review to key management personnel as a key component of the incentive portion of their remuneration, in order to attract and retain the services of these people and to provide an incentive linked to the performance of the Company. The Board considers that for each executive who receive options, their experience in the technology industry will greatly assist the Company in achieving its strategy and objectives. As such, the Board believes that the number of Incentive Options to be granted to executives is commensurate to their value to the Company.

The Board has a policy of granting incentive options to executives with exercise prices above prevailing market share price. As such, incentive options granted to executives will generally only be of benefit if the executives perform to the level whereby the value of the Company increases sufficiently to warrant exercising the incentive options granted.

Mr Damon Watkins was granted 15,000,000 unlisted options with service-based vesting conditions. A further 10,500,000 options granted to Mr Nic Pollock had expected additional performance criteria relating to achieving annual recurring revenue targets prior to vesting.

Given the speculative nature of the Company's activities and the small management team responsible for its running, the Company considers that the performance of the executives and the performance and value of the Company are closely related.

Non-executive Directors' remuneration

The Board policy is to remunerate Non-Executive Directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to Non-Executive Directors and reviews their remuneration annually based on market practice, duties and accountability. Independent external advice is sought when required. No independent advice was sought during the financial year ended 30 June 2018.

The maximum aggregate amount of Directors' fees that can be paid to Non-Executive Directors is subject to approval by shareholders at the annual general meeting. The latest determination was prior to June 2002 when shareholders approved an aggregate remuneration of $200,000 per year.

In order to conserve cash, non-executive Directors did not submit invoices for the full 12 months for their directorship services. Mr Mark Potts was paid for five months and Mr Cox and Ms Vamos were paid for three months. Mr Jan Kolbusz was paid for five months noting that he was appointed as a non-executive on 27 August 2017.

Relationship between remuneration of KMP and shareholder wealth

The past financial year has been one of transition for Decimal as we finalised the development of our ground-breaking digital advice software packages and positioned ourselves to be the dominant player in the financial services sectors. Notwithstanding this progress the Board anticipates that the Company will utilise cash resources to achieve its objective. Accordingly, the Company does not currently have a policy with respect to the payment of dividends and returns of capital.

Discretionary annual cash bonuses are based upon achieving various financial key performance indicators, as detailed under *Performance-based remuneration: Short-term incentive*.

Relationship between remuneration of KMP and earnings

Given the current phase of the Company's development the Board does not consider earnings during the current and previous financial years when determining, and in relation to, the nature and amount of remuneration of KMP.

Emoluments of Directors and Executives

Details of the nature and amount of each element of the emoluments of each Director and KMP of Decimal Software Limited are as follows:

	Short-term benefits							
30 June 2018	Salary & Fees $	Cash Bonus $	Non-monetary benefit $	Post-employment Benefits $	Long Service Leave $	Share-based Payments $	Total $	% performance related
Directors								
Mr Mark Potts	11,500	-	-	-	-	4,223	15,723	27
Mr Nic Pollock[(a)]	232,659	-	-	18,563	-	(39,573)	211,649	-
Mr Gary Cox	6,000	-	-	-	-	-	6,000	-
Mr Jan Kolbusz	133,685	-	-	3,853	70,497	-	208,035	-
Ms Pauline Vamos	6,000	-	-	-	-	-	6,000	-
Executives								
Mr Damon Watkins[(b)]	64,615	-	-	6,138	-	29,243	99,996	29
Mr Stewart Cochrane[(c)]	38,986	-	-	2,541	-	(5,494)	36,033	-
Ms Sue Landers	154,926	23,698	-	18,577	-	9,234	206,435	4
Total	**648,371**	**23,698**	**-**	**49,672**	**70,497**	**(2,367)**	**789,871**	**1**

(a) Resigned on 6 March 2018.
(b) Appointed on 6 March 2018.
(c) Resigned on 18 August 2017.

30 June 2017	Short-term benefits Salary & Fees $	Cash Bonus $	Non-monetary benefit $	Post-employment Benefits $	Long Service Leave $	Share-based Payments $	Total $	% performance related
Directors								
Mr Mark Potts	48,000	-	-	-	-	25,186	73,186	34
Mr Nic Pollock	225,000	-	-	19,307	4,669	40,707	289,683	14
Mr Gary Cox	36,000	-	-	-	-	-	36,000	-
Mr Jan Kolbusz[(a)]	250,000	-	-	19,616	30,583	7,260	307,459	2
Ms Pauline Vamos[(b)]	4,355	-	-	-	-	-	4,355	-
Executives								
Mr Stewart Cochrane[(c)]	195,000	-	-	18,525	3,250	8,935	225,710	4
Ms Sue Landers[(d)]	86,698	-	-	7,810	-	996	95,504	1
Total	**845,053**	**-**	**-**	**65,258**	**38,502**	**83,084**	**1,031,897**	**8**

(a) Changed from executive director to Non-Executive Director on 11 August 2017.
(b) Appointed on 18 May 2017.
(c) Resigned on 18 August 2017.
(d) Appointed on 30 January 2017.

Option holdings of key management personnel (consolidated)

30 June 2018	Balance at beginning of Period	Granted	Options Exercised	Options Lapsed	Forfeited	Balance at End of Period	Exercisable	Not Exercisable
Directors								
Mark Potts	2,000,000	-	-	(666,666)	-	1,333,334	1,333,334	-
Nic Pollock[(b)]	4,000,000	10,500,000	-	-	(14,500,000)	-	-	-
Gary Cox[(c)]	500,000	-	-	-	-	500,000	500,000	-
Jan Kolbusz[(a)]	3,500,000	-	-	(500,000)	-	3,000,000	3,000,000	-
Pauline Vamos[(b)]	-	-	-	-	-	-	-	-
Executives								
Stewart Cochrane[(c)]	1,000,000	-	-	-	(1,000,000)	-	-	-
Sue Landers	1,000,000	-	-	-	-	1,000,000	333,333	666,667
Damon Watkins	-	15,000,000	-	-	-	15,000,000	-	15,000,000
Total	**12,000,000**	**25,500,000**	**-**	**(1,166,666)**	**(15,500,000)**	**20,833,334**	**5,166,667**	**15,666,667**

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Notes

(a) Changed from executive director to Non-Executive Director on 11 August 2017
(b) Resigned on 6 March 2018.
(c) Resigned on 18 August 2017.

30 June 2017	Balance at beginning of Period	Granted	Options Exercised	Options Lapsed	Resignation balance	Balance at End of Period	Exercisable	Not Exercisable
Directors								
Mark Potts	-	2,000,000	-	-	-	2,000,000	1,333,333	666,667
Nic Pollock[b]	4,000,000	-	-	-	-	4,000,000	1,333,333	2,666,667
Gary Cox[c]	500,000	-	-	-	-	500,000	500,000	-
Jan Kolbusz[a]	4,000,000	-	-	(500,000)	-	3,500,000	3,500,000	-
Pauline Vamos[b]	-	-	-	-	-	-	-	-
Executives								
Stewart Cochrane[c]	1,000,000	-	-	-	-	1,000,000	333,333	666,667
Sue Landers[d]	-	1,000,000	-	-	-	1,000,000	-	1,000,000
Total	**9,500,000**	**3,000,000**	**-**	**(500,000)**	**-**	**12,000,000**	**6,999,999**	**5,000,001**

Notes

(a) Changed from executive director to Non-Executive Director on 11 August 2017
(b) Appointed on 18 May 2017.
(c) Resigned on 18 August 2017.
(d) Appointed on 30 January 2017.

Options granted to key management personnel in the year ended 30 June 2018

During the year 25,500,000 options were granted to KMP of which the detail are as follows:

- 500,000 options exercisable at $0.10 and expiring on 31 December 2020.
- 1,000,000 options exercisable at $0.10, vested on 1 January 2016 and expiring on 31 December 2020.
- 2,000,000 options exercisable at $0.10, vested on 1 January 2017 and expiring on 31 December 2020.
- 1,500,000 options exercisable at $0.15, vested on 1 January 2017 and expiring on 31 December 2021.
- 2,000,000 options exercisable at $0.15, vested on 1 January 2017 and expiring on 31 December 2021.

- 1,500,000 options exercisable at $0.18, vested on 1 January 2018 and expiring on 31 December 2022.
- 2,000,000 options exercisable at $0.18, vested on 1 January 2018 and expiring on 31 December 2022.
- 8,000,000 options exercisable at $0.03, vesting on 23 April 2019 and expiring on 23 April 2021.
- 5,000,000 options exercisable at $0.04, vesting on 23 April 2020 and expiring on 23 April 2022.
- 2,000,000 options exercisable at $0.06, vesting on 23 April 2021 and expiring on 23 April 2023.

Details of the values of Unlisted Options granted, exercised or lapsed to KMP of the Group during the 2018 financial year are as follows:

2018	Value of Options Granted During the Year^ $	Value of Options Exercised during the Year $	Value of Options Lapsed During the Year $	Value of Options included in Remuneration Report for the Year $	Remuneration for the Year that Consists of Options %
Directors					
Mark Potts	-	-	(10,110)	4,223	27
Nic Pollock	73,545	-	(165,079)	-	-
Gary Cox	-	-	-	-	-
Jan Kolbusz	-	-	(15,764)	-	-
Pauline Vamos	-	-	-	-	-
Executives					
Damon Watkins	209,307	-	-	29,243	26
Stewart Cochrane	-	-	(16,666)	-	-
Susan Landers	-	-	-	9,234	5
Total	**282,852**	**-**	**(207,619)**	**42,700**	**15**

^ Determined at the time of grant per AASB 2. For details on the valuation of the options, including models and assumptions used, please refer to note 24.

Details of the values of Unlisted Options granted, exercised or lapsed to KMP of the Group during the 2017 financial year are as follows:

2017	Value of Options Granted During the Year^ $	Value of Options Exercised during the Year $	Value of Options Lapsed During the Year $	Value of Options included in Remuneration Report for the Year $	Remuneration for the Year that Consists of Options %
Directors					
Mark Potts	29,409	-	-	25,186	34
Nic Pollock	-	-	-	-	-
Gary Cox	-	-	-	-	-
Jan Kolbusz	-	-	-	-	-
Pauline Vamos	-	-	-	-	-
Executives					
Stewart Cochrane	-	-	-	-	-
Susan Landers	16,403	-	-	996	1
Total	**45,812**	**-**	**-**	**26,182**	**8**

^ Determined at the time of grant per AASB 2. For details on the valuation of the options, including models and assumptions used, please refer to note 24.

Shareholdings of key management personnel (consolidated)

30 June 2018	Balance at Beginning of Period	Granted as Remuneration	Options Exercised	Net Change Other	Movement on resignation	Balance at End of Period
Directors						
Mark Potts	1,888,360	-	-	1,006,347	-	2,894,707
Nic Pollock	715,000	-	-	-	(715,000)	-
Gary Cox	718,000	-	-	-	-	718,000
Jan Kolbusz	12,571,032	-	-	-	-	12,571,032
Pauline Vamos	-	-	-	-	-	-
Executives						
Damon Watkins	-	-	-	50,000	-	50,000
Stewart Cochrane	-	-	-	-	-	-
Susan Landers	-	-	-	-	-	-
Total	**15,892,392**	**-**	**-**	**1,056,347**	**(715,000)**	**16,683,739**

30 June 2017	Balance at Beginning of Period	Granted as Remuneration	Options Exercised	Net Change Other	Movement on resignation	Balance at End of Period
Directors						
Mark Potts	-	-	-	1,888,360	-	1,888,360
Nic Pollock	715,000	-	-	-	-	715,000
Gary Cox	718,000	-	-	-	-	718,000
Jan Kolbusz	12,571,032	-	-	-	-	12,571,032
Pauline Vamos	-	-	-	-	-	-
Executives						
Stewart Cochrane	-	-	-	-	-	-
Susan Landers	-	-	-	-	-	-
Total	**14,004,032**	**-**	**-**	**1,888,360**	**-**	**15,892,392**

Employment contracts with Key Management Personnel (KMP)

Damon Watkins: Chief Executive Officer

Mr Watkins is employed by Decimal as Chief Executive Officer 6 March 2018. The key terms of his contract are:

- Remuneration: The total fixed remuneration (excluding statutory minimum superannuation payments) for Mr Watkins is $200,000 per annum.

- Intellectual property: Decimal owns all intellectual property created by Mr Watkins in the course of his employment, and Mr Watkins is obliged to assign to Decimal any such intellectual or industrial property rights.
- Term: Mr Watkins contract of employment has no fixed term. Either Mr Watkins or Decimal may terminate Mr Watkins employment by giving 26 weeks written notice or, in Decimal's case, payment of total remuneration in lieu of notice.
- Post termination: Upon termination of Mr Watkins contract of employment, he will:
    - be subject to a restraint of trade for a maximum of 12 months. The enforceability of this restraint clause is subject to all usual legal requirements; and
    - at the request of the board of Decimal, resign without claim for compensation from any office (including that of director) which he holds in Decimal or any Subsidiary of Decimal.

Jan Kolbusz: Non-Executive Director, Strategy and Innovation

Mr Kolbusz was employed by Decimal as Executive Director, Strategy and Innovation until 11 August 2017. From 11 August 2017 to the date of this report, Mr Kolbusz is a non-executive director.

The key terms of his contract when an Executive Director were:

- Remuneration: The total fixed remuneration (excluding statutory minimum superannuation payments) for Mr Kolbusz is $250,000 per annum. Mr Kolbusz salary is subject to annual review.
- Intellectual property: Decimal owns all intellectual property created by Mr Kolbusz in the course of his employment, and Mr Kolbusz is obliged to assign to Decimal any such intellectual or industrial property rights.
- Term: Mr Kolbusz contract of employment has no fixed term. Either Mr Kolbusz or Decimal may terminate Mr Kolbusz employment by giving 12 weeks written notice or, in Decimal's case, payment of total remuneration in lieu of notice.
- Post termination: Upon termination of Mr Kolbusz contract of employment, he will:
    - be subject to a restraint of trade for a maximum of 12 months. The enforceability of this restraint clause is subject to all usual legal requirements; and
    - at the request of the board of Decimal, resign without claim for compensation from any office (including that of director) which he holds in Decimal or any Subsidiary of Decimal.

Susan Landers: Key Accounts Director

Ms Landers is employed by Decimal as Key Accounts Director from 30 January 2017. The key terms of her contract are:

- Remuneration: The total fixed remuneration (excluding statutory minimum superannuation payments) for Ms Landers is $97,500 per annum. From 1 July 2017 to 26 January 2018 Ms Lander’s salary was $195,000 and reduced to $97,500 from 26 January 2018 (0.5 full-time employee).
- Intellectual property: Decimal owns all intellectual property created by Ms Landers in the course of her employment, and Ms Landers is obliged to assign to Decimal any such intellectual or industrial property rights.

- Term: Ms Lander's contract of employment has no fixed term. Either Ms Landers or Decimal may terminate Ms Lander's employment by giving 4 weeks written notice or, in Decimal's case, payment of total remuneration in lieu of notice.
- Post termination: Upon termination of Ms Lander's contract of employment, she will:
  - be subject to a restraint of trade for a maximum of 12 months. The enforceability of this restraint clause is subject to all usual legal requirements; and
  - at the request of the board of Decimal, resign without claim for compensation from any office (including that of director) which she holds in Decimal or any Subsidiary of Decimal.

End of Audited Remuneration Report

Directors' Meetings: Decimal Software

Directors meetings during the year end 30 June 2018

The number of meetings of Directors held during the year and the number of meetings attended by each director was as follows:

Director	Directors' Meetings Eligible to Attend	Directors' Meetings Attended
Mark Potts	10	10
Nic Pollock	5	5
Gary Cox	10	10
Jan Kolbusz	10	9
Pauline Vamos	10	9

Directors also held a number of informal single purpose management meetings during the year.

Given the size of the Board, the directors meeting covers audit and remuneration items. For details of the Group's policy, refer to the *Corporate Governance Statement* on page 71.

Non-audit services

Non-audit services provided by our auditors Ernst and Young are set out below. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature, scope and quantum of fees involved means that auditor independence was not compromised.

Ernst and Young received the following amounts for the provision of non-audit services in the 2018 financial year:

	2018 $	2017 $
Tax related services	11,201	12,888
Total	**11,201**	**12,888**

Corporate governance

In recognising the need for the highest standard of corporate behaviour and accountability, the Directors support and have adhered to the principles of corporate governance.

Indemnification and insurance of officers

Under Decimal's constitution, unless arising out of conduct involving a lack of good faith, Decimal must indemnify, to the extent permitted by law, each Director, secretary, executive officer and employee of Decimal against:

(i) any liability incurred by each such person in their capacity as Director, secretary, executive officer or employee, as the case may be:

(ii) any liability incurred:

- in defending civil or criminal proceedings in which judgment is given in their favor or in which they are acquitted;
- in connection with any application relating to such proceedings in which relief is granted to them under the Corporations Act or the corresponding law of another jurisdiction; or
- in connection with any investigation of any kind relating to the affairs or conduct of Decimal in which they are examined or required to give evidence or produce documents.

Each of the Directors named in this report has the benefit of this indemnity, which extends to all Directors, secretaries, executive officers and employees of Decimal.

No amount was paid under these indemnities during the financial year ended 30 June 2018 or since that date.

The constitution permits Decimal to pay or agree to pay premiums in respect of any contract of insurance which insures any person who is or has been a Director, secretary, executive officer or employee of Decimal against any liability incurred by that person in any such capacity and being a liability:

- for costs and expenses in defending proceedings (whether civil or criminal), whatever their outcome; and
- not arising out of conduct involving a willful breach of duty or which contravenes section 182 and 183 of the Corporations Act.

Indemnification of auditors

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

Auditor’s Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2018 has been received and can be found on the following page and forms part of the *Directors’ report*.

Signed in accordance with a resolution of the Directors.

Damon Watkins
Chief Executive Officer

Perth

28 September 2018

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
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Auditor's Independence Declaration to the Directors of Decimal Software Limited

As lead auditor for the audit of Decimal Software Limited for the financial year ended 30 June 2018, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Decimal Software Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

T G Dachs
Partner
28 September 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 $	2017 $
Revenue	6(a)	1,073,050	1,029,750
Finance income	6(b)	10,023	43,373
R&D benefit	6(b)	765,274	1,186,862
Total revenue and other income		**1,848,347**	**2,259,985**
Total expenses		**4,137,397**	**5,855,474**
Directors and employee benefits expense	7(a)	2,598,684	3,799,955
Consultant expenses		175,545	146,305
Technical expenses		251,351	416,918
Professional and public listed company fees		313,158	359,840
Travel cost and entertainment		160,886	276,969
Office related expenses		191,122	213,847
Advertising, marketing and media		281,104	386,713
Other expenses	7(b)	94,733	86,534
Depreciation, amortisation and impairment	7(c)	61,075	72,639
Share based payment expense	24(a)	9,739	95,754
Loss before income tax		**(2,289,050)**	**(3,595,489)**
Income tax benefit	8(a)	-	-
Loss for the year		**(2,289,050)**	**(3,595,489)**
Other comprehensive income		**-**	**-**
Total comprehensive loss for the year, net of tax		**(2,289,050)**	**(3,595,489)**
Basic loss per share (cents per share)	9	(0.77)	(1.42)
Diluted loss per share (cents per share)	9	(0.77)	(1.42)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Notes	2018 $	2017 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	10	67,494	1,186,358
Trade receivables	11	41,848	27,943
Prepayments		79,544	165,042
Other receivables and other current assets	12	818,062	1,287,434
TOTAL CURRENT ASSETS		**1,006,948**	**2,666,777**
NON-CURRENT ASSETS			
Other non-current assets	12	9,333	11,133
Property, plant and equipment	13	12,182	27,707
Intangible assets	14	507	46,215
TOTAL NON-CURRENT ASSETS		**22,022**	**85,055**
TOTAL ASSETS		**1,028,970**	**2,751,832**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	15	139,156	197,439
Income in advance		20,363	1,487
Employee benefit liabilities	16	313,252	563,631
TOTAL CURRENT LIABILITIES		**472,771**	**762,557**
NON-CURRENT LIABILITIES			
Employee benefit liabilities	17	48,567	64,286
TOTAL NON-CURRENT LIABILITIES		**48,567**	**64,286**
TOTAL LIABILITIES		**521,338**	**826,843**
NET ASSETS		**507,632**	**1,924,989**
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	18	35,883,215	35,021,261
Reserves	19	945,061	935,322
Accumulated losses	20	(36,320,644)	(34,031,594)
TOTAL EQUITY		**507,632**	**1,924,989**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

	Contributed Equity $	Treasury Shares $	Share Based Payment Reserves $	Accumulated Losses $	Total Equity $
Balance at 1 July 2016	**32,898,379**	**(36,969)**	**839,568**	**(30,436,105)**	**3,264,873**
Other comprehensive income	-	-	-	-	-
Loss for the year	-	-	-	(3,595,489)	(3,595,489)
Total comprehensive loss for the year	-	-	-	(3,595,489)	(3,595,489)
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
As at 30 June 2017	**35,058,230**	**(36,969)**	**935,322**	**(34,031,594)**	**1,924,989**
Balance at 1 July 2017	**35,058,230**	**(36,969)**	**935,322**	**(34,031,594)**	**1,924,989**
Other comprehensive income	-	-	-	-	-
Loss for the year	-	-	-	**(2,289,050)**	**(2,289,050)**
Total comprehensive loss for the year	-	-	-	(2,289,050)	(2,289,050)
Equity transactions:					
Issue of ordinary shares	867,000	-	-	-	867,000
Cost of share issue	(5,046)	-	-	-	(5,046)
Issue of options	-	-	9,739	-	9,739
As at 30 June 2018	**35,920,184**	**(36,969)**	**945,061**	**(36,320,644)**	**507,632**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 $	2017 $
Cash flows from operating activities			
Payments to suppliers and employees		(4,361,763)	(5,958,218)
Receipts from sales		1,185,325	1,185,985
Receipt of research and development tax rebate		1,170,637	1,498,767
Interest received		12,197	45,504
Net cash flows used in operating activities	21	**(1,993,604)**	**(3,227,962)**
Cash flows from investing activities			
Payments for property, plant and equipment		-	-
Purchases/(Proceeds) from disposal of PPE		100	(9,249)
Payments for intangible assets		-	-
Repayment/(Payment) on security deposit		-	213,362
Net cash flows from/(used in) investing activities		**100**	**204,113**
Cash flows from financing activities			
Receipts from share issues		867,000	2,294,985
Payments for share issue costs		(5,046)	(135,134)
Proceeds from borrowings		672,091	47,654
Repayments of borrowings		(659,405)	(2,686)
Net cash flows from/(used in) financing activities		**874,640**	**2,204,819**
Net decrease in cash and cash equivalents		**(1,118,864)**	**(819,030)**
Cash at the beginning of the year		1,186,358	2,005,388
Cash at the end of the year	10	**67,494**	**1,186,358**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

Following are the notes to, and forming part of, the Financial Statements for the Year Ended 30 June 2018.

1. Corporate information

The Financial Report of Decimal Software Limited ("the Company") and its controlled entities ("the Consolidated Entity" or "the Group") for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of the Directors on 26 September 2018.

Decimal Software Limited is a for-profit Company limited by shares, incorporated and domiciled in Australia, and whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Consolidated Entity are described in the Directors' Report.

2. Summary of significant accounting policies

a) 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.

The financial report is presented in Australian dollars (AUD).

Going concern

During the year the consolidated entity continued to incur losses and operating cash outflows although substantially reduced from the prior year. This was as a result of increased revenue due to market share growth and lower operating cost. The reduction in cost was due to the Decimal platform reaching a level of maturity to enable customers to fully benefit from the business model of low implementation and maintenance cost. For the year ended 30 June 2018, the consolidated entity incurred a loss from continuing operations after tax of $2,289,050 (30 June 2017: $3,595,489). In the same period the consolidated entity had operating cash outflows of $1,993,604 (year ended 30 June 2017: $3,227,962).

Notwithstanding these matters, the consolidated financial statements have been prepared on a going concern basis. The Directors consider this to be appropriate for the following reasons:

- The Company put in place a R&D rebate funding facility of $600,000 from Rocking Horse Nominees Pty Ltd. It was fully drawn down on 3 July 2018.
- The availability of two short term funding facilities totalling $600,000 through unsecured loan agreements with Sargon Capital Pty Ltd ("Sargon Capital"). The unsecured loan agreements are separate to the scheme of arrangement noted below;
- The sale of the business through the proposed Scheme Implementation Agreement with Sargon Capital Pty Ltd under which Sargon Capital has agreed to acquire 100% of the issued shares in Decimal Software for 1.41 cents cash per share by way of a Court approved scheme of arrangement (the "Proposal") which is expected to be completed in December 2018; and
- An intent for the operations to continue for a period of not less than 12 months.

The directors have reasonable expectations that existing cash, and additional inflows from the short term funding facility provide the Consolidated Entity sufficient cash to sustain operations through to the proposed date for voting on the Proposal. The Decimal Board unanimously supports the Proposal and each director intends to recommend that Decimal shareholders vote in favour of the Proposal subject to no superior proposal emerging and the independent expert appointed to consider the Proposal concluding that it is in the best interests of Decimal shareholders. Subject to the same qualifications, the Directors intend to vote, or cause the voting of any Decimal shares in which they have relevant interests, in favour of the Proposal.

However, if the Proposal is not approved or the conditions precedents not achieved, or Sargon Capital is not able to provide the ongoing support for the next 12 months, the consolidated entity would be required to obtain funding at an amount and timing necessary to meet the future operational plans, and if unable to do so it may be unable to continue as a going concern.

As a result of these matters, there is a material uncertainty related to events or conditions that may cast significant doubt on whether the Group will continue as a going concern and therefore whether it will realise its assets and settle its liabilities and commitments in the normal course of the business and at the amounts stated in the financial report. No adjustments have been made relating to the recoverability and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

b) Compliance statement

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

c) New accounting standards and interpretation

New standards adopted during the financial year

From 1 July 2017 the Group has adopted all the Standards and Interpretations mandatory for annual reporting periods beginning on or after 1 July 2017, including the following pronouncements and amendments:

- AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses
- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107
- AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle

Adoption of these Standards and Interpretations has resulted in new disclosures but did not affect the Group's accounting policies or any of the amounts recognised in the financial statements.

New standards issued but not yet effective

The following Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet mandatory, and have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2018. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, is set out below:

AASB 15 Revenue from Contracts with Customers

AASB 15 Revenue from Contracts with Customers replaces the existing revenue recognition standards AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations (Interpretation 13 Customer Loyalty Programmes, Interpretation 15 Agreements for the Construction of Real Estate, Interpretation 18 Transfers of Assets from Customers, Interpretation 131 Revenue-Barter Transactions Involving Advertising Services and Interpretation 1042 Subscriber Acquisition Costs in the Telecommunications Industry). AASB 15 incorporates the requirements of IFRS 15 Revenue from Contracts with Customers issued by the International Accounting Standards Board and developed jointly with the US Financial Accounting Standards Board.

Currently, AASB 15 is effective for annual reporting periods commencing on or after 1 January 2018. Consequently, the mandatory adoption date of the standard by the Group is 1 July 2018.

The Group has yet to make a formal decision on the transition approach, however it is likely to adopt a modified retrospective method, recognising the cumulative effect of initial application as an adjustment to the opening balance of retained earnings at 1 July 2018.

The Group's assessment of the full impact of AASB 15's adoption is yet to be finalised. However, the Group has done an initial assessment of the impact of adopting AASB 15 and it is unlikely that there will be a material impact in relation to revenue recognition. The initial assessment considered the performance obligations of each individual contract with customers, in particular of any contracts where performance obligations are bundled together, the impact of implementation service fees and any incremental costs of obtaining a contract (eg commissions).

The Group considers that the presentation and disclosure requirements in AASB 15 are more detailed than under current Australian Accounting Standards. The presentation requirements represent a significant change from current practice and significantly increase the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in AASB 15 are new and the Group is currently assessing the impact of these disclosure requirements. It would be expected that the disclosures relating to the accounting policy related to revenue recognition, the key judgements and other revenue related disclosures would be expanded in the notes to the financial statements.

AASB 9 Financial Instruments

AASB 9 (December 2014) is a new standard which replaces AASB 139. This new version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. AASB 9 is effective for annual periods beginning on or after 1 January 2018. Consequently, the mandatory adoption date of the standard by the Group is 1 July 2018.

The Group's assessment of the full impact of AASB 9's adoption is yet to be finalised. However based on the initial assessment the Group considers that the application of this standard will have an immaterial impact on the financial report given the quantitative and qualitative nature of the Group's existing financial assets and liabilities.

AASB 16 Leases

AASB 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117 Leases. The standard includes two recognition exemptions for lessees - leases of "low-value" assets (for example: personal computers) and short-term leases (i.e. leases with a term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). AASB 16 is effective for annual periods beginning on or after 1 January 2019. Consequently, the mandatory adoption date of the standard by the Group is 1 July 2019.

The Group's assessment of the full impact of AASB 16's adoption is yet to be finalised. However the Group expects that the impact on liabilities will be similar to that as disclosed in the minimum lease payments of operating leases.

Other accounting standards and amendments to accounting standards issued but not yet effective

In relation to the following other accounting standards and amendments to accounting standards that have been issued but are not yet effective, the Group has yet to fully assess the impact the will have on the financial statements, when applied in future periods:

- AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions
- AASB 2016-6 Amendments to Australian Accounting Standards – Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts
- AASB 2017-1 Amendments to Australian Accounting Standards – Transfers of Investments Property, Annual Improvements 2014-2016 Cycle and Other Amendments
- AASB 2017-3 Amendments to Australian Accounting Standards – Clarifications to AASB 4
- AASB Interpretation 22 Foreign Currency Transactions and Advance Consideration
- AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle
- AASB 2017-6 Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation
- AASB Interpretation 23 Uncertainty over Income Tax Treatments, and relevant amending standards
- AASB 1058 Income of Not-for-Profit Entities
- AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-For-Profit Entities
- AASB 1059 Service Concession Arrangements: Grantors
- AASB 2017-7 Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Venture
- AASB 2018-2 Amendments to Australian Accounting Standards –Plan Amendment, Curtailment or Settlement
- AASB 17 Insurance Contracts

- AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Conceptual Framework for Financial Reporting

d) Basis of consolidation

The consolidated financial statements comprise the financial statements of Decimal Software Limited and its subsidiaries (the Group) as at 30 June 2018 or for any time during the year.

The financial statements of subsidiaries are prepared for the same reporting period as the parent Company, using consistent accounting policies.

In preparing the consolidated financial statements, all inter-company balances and transactions, income and expenses and profit and losses resulting from intra-group transactions, have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

e) Segment reporting

The Consolidated Entity has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The Consolidated Entity operated in a single operating segment, and geographical location during the financial year and no segment report has therefore been included in the financial statements.

f) Foreign currency translation

(i) Functional and presentation currency

The consolidated financial statements are presented in Australian dollars (AUD), which is Decimal Software's functional and presentation currency.

(ii) 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 denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

g) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank 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 values.

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

h) Trade and other receivables

Trade receivables are generally paid on 30-day settlement terms and are recognised and carried at original invoice amount less an allowance for impairment. Trade receivables are non-interest bearing. Collectability of trade receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified.

An impairment provision is recognized when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 120 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

i) Investments and other financial assets

Investments and financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payment that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method. Gains and losses are recognized in the statement of comprehensive income when the loans and receivables are derecognized or impaired.

(ii) Fair value through profit and loss

Financial assets at fair value through profit or loss include financial assets designated upon initial recognition at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of comprehensive income.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at their initial recognition date and only if the criteria under AASB 139 are satisfied.

j) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of these items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Consolidated Entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using a straight-line method to allocate their cost over their estimated useful lives. The expected useful lives are detailed in note 13.

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

(i) Impairment

Property, plant and equipment are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. Where a review for impairment is conducted, the recoverable amount is assessed by reference to the higher of 'value in use' (being the net present value of expected future cash flows of the relevant cash generating unit) and 'fair value less costs to sell'.

(ii) Derecognition and disposal

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

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

k) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for 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.

(i) Consolidated entity as a lessee

Operating lease payments and incentives are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

l) Trade and other payables

Trade payables and other payables are carried at transaction price minus principal repayments. They represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year that are unpaid and arise when the Consolidated Entity becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

m) Provisions and employee benefits

(i) Provisions

Provisions are recognised when the Consolidated Entity 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.

When the Consolidated Entity expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

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. The risks to the provision are factored into the cash flows and as such a risk-free government bond rate relative to the expected life of the provision is used as a discount rate. 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.

(ii) Employee benefits

a. *Wages, salaries and annual leave*

Liabilities for wages and salaries, including non-monetary benefits and annual leave due 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.

b. *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.

n) Equity settled transactions

The Consolidated Entity provides benefits to its directors and employees in the form of share-based payments, whereby directors and employees render services in exchange for shares or rights over shares (equity-settled transactions).

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 is determined using a Black Scholes Option Pricing Model, taking into account the terms and conditions upon which the options were granted.

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

At each subsequent reporting date until vesting, the cumulative charge to the statement of comprehensive income reflects:

i. the grant date fair value of the options;

ii. the current best estimate of the number of options that will ultimately vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of vesting conditions being met, based on best available information at the reporting date; and

iii. the extent to which the vesting period has expired.

The charge to the statement of comprehensive income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

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 satisfied.

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

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

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

o) 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.

p) Revenue recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Consolidated Entity and the revenue can be reliably measured, regardless of when payment is made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. Revenue is deferred until the specific criteria for recognition of revenue is met. The following specific criteria must also be met before revenue is recognised:

(i) Sale of products and services

Revenue from license fees are recognised when the significant risks and rewards of ownership have passed to the buyer.

Revenue from maintenance service fees is recognised on systematic basis over the period of the performance of the service under the terms of the contract.

Revenue from configuration and implementation services is recognised over the period of the performance of the service under the terms of the contract.

The Consolidated entity recognises fees received in advance for services to be performed as deferred revenue which is a current liability within the Consolidated Statement of Financial Position and these amounts are amortised to profit or loss over the relevant period of the contract which is inline with the provision of the service.

(ii) 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 revenue 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.

q) Income tax and other taxes

Current tax assets and liabilities for the current and prior periods 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; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference 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, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits 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; or
- when 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 recognized 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 utilized.

The carrying amount of deferred income 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 income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit 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.

(i) Tax consolidation legislation

Decimal Software and its wholly owned Australian controlled entities formed a tax consolidated group on 30 October 2003. Decimal Group and its wholly owned Australian controlled entities joined the Decimal Software tax consolidated group following completion of the transaction between the parties on 11 April 2014.

(ii) 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 recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which 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 Statement of Cash flows 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, is classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

r) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share are calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognized as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

s) Non-current assets held for sale

Non-current assets and disposal groups are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment once classified as held for sale are not depreciated or amortized.

t) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in the profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is de-recognised.

u) Research and Development

Costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development
- The ability to use the intangible asset generated

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development the assets are tested annually for impairment.

As at 30 June 2018, all costs associated with the research & development have been expensed.

Rebate

Research and development rebates are recognised as income when there is reasonable assurance that the rebate will be received. Income from research and development rebates is disclosed separately on the Statement of Comprehensive Income. Refer to further information on the significant accounting judgements, estimates and assumptions relating to the research and development rebate in Note 3 (a).

v) Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in share-based payments reserve. Share options exercised during the reporting period are satisfied with treasury shares.

3. Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgments and estimates in relation to assets, liabilities and contingent liabilities, revenue and expenses. Management bases its judgments 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 judgments, 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.

a) Research and development rebate

Research and development rebates are recognised as income when there is reasonable assurance that the rebate will be received. Management judgement is required to assess that the rebate meets the recognition criteria and in determining the measurement of the rebate including the assessment of the eligibility and appropriateness of the apportionment of eligible expenses based on research and development activities undertaken by the consolidated entity and taking into consideration relevant legislative requirements.

Further, the Research and Development Tax Incentive Offset program in Australia is a self-assessment regime and there is a four year period from the date of lodgement where the claim may be subject to a review by the Australian Taxation Office or AusIndustry, with any amounts over-claimed being potentially subject to full repayment with interest and penalties.

b) Share based payment transactions

The Consolidated Entity measures the cost of equity settled transactions with directors and employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black Scholes Option Pricing Model, with the assumptions detailed in note 24. The accounting estimates and assumptions relating to equity settled share based payments would have no impact on the carrying amounts of the assets and liabilities within the next annual reporting period but may impact income and expenses.

c) Impairment of non-financial assets other than goodwill

The Consolidated Entity assess impairment of all non-financial assets other than goodwill at each reporting date by evaluating the carrying value of the asset and the recoverable amount which is the higher of fair value less costs to sell and its value in use. This requires assessment of conditions specific to the Consolidated Entity and to the particular asset which may lead to an impairment being recognised.

d) Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Further details on taxes are disclosed in note 8.

e) Employee benefits

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. Management make estimates and assumptions on various factors, including future salary expectations, discount rates and probability of employees remaining with the Consolidated Entity.

4. Segment information

The Consolidated Entity has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The Consolidated Entity operated in a single operating segment, and geographical location during the financial year and no segment report has therefore been included in the financial statements.

Sources of revenue is from Australia only. During the year, the Group had five major customers accounting for just under $1,000,000 of total revenue respectively.

Other prospective opportunities outside of these geographical locations are also considered from time to time, and if they are secured, will then be attributed to the geographical location where they are located.

5. Parent entity information

The following details information related to the parent entity, Decimal Software Limited, at 30 June 2018. The information presented here has been prepared using consistent accounting policies as presented in note 2.

	Parent	
	2018 $	2017 $
Assets		
Total current assets	158,565	1,267,596
Total non-current assets	-	29,040
Total assets	**158,565**	**1,296,636**
Liabilities		
Total current liabilities	83,952	142,977
Total non-current liabilities	-	-
Total liabilities	**83,952**	**142,977**
Equity attributable to equity holders of the parent		
Contributed equity	80,152,447	79,290,493
Treasury shares	(36,969)	(36,969)
Reserves	2,207,238	2,162,020
Accumulated losses	(82,248,103)	(80,261,885)
Total equity	**74,613**	**1,153,659**
Loss for the year	(1,986,218)	(3,244,199)
Other comprehensive income for the year	-	-
Total comprehensive loss for the year	**(1,986,218)**	**(3,244,199)**

As at reporting date, the parent entity does not have any financial guarantees or commitments. The Group's contingent liabilities have been disclosed in note 27.

6. Revenue and other income

	2018 $	2017 $
(a) Revenue From Sales		
Sales to external customers	1,073,050	1,029,750
(b) Other Income and Revenue		
Interest Revenue	10,023	43,373
R&D benefit	765,274	1,186,862

7. Expenses

	2018 $	2017 $
(a) Directors and Employee Benefits Expense		
Directors fees, wages and salaries	2,396,717	3,524,192
Post-employment benefit expense	201,967	275,763
	2,598,684	**3,799,955**
(b) Other Expenses		

	2018 $	2017 $
Included in other expenses is the following:		
Bad debts written off	-	350
	-	**350**
(c) Depreciation, Amortisation and Impairment		
Depreciation-computer equipment	12,323	36,727
Depreciation-furniture and fittings	2,265	2,433
Amortisation: Leasehold improvements	779	779
Amortisation: Intangible assets	45,708	32,700
	61,075	**72,639**
(d) Expenditure under operating leases		
Minimum lease payments recognised as an operating lease expense	69,700	77,141
	69,700	**77,141**

8. Income tax

	Consolidated 2018 $	2017 $
(a) Numerical Reconciliation of Accounting Loss to Tax Expense		
A reconciliation between tax expense and the product of the accounting loss before income tax multiplied by the Group's applicable income tax rate is as follows:		
Accounting loss before tax	(2,289,050)	(3,595,489)
At the Group's statutory income tax rate of 27.5%	(629,489)	(988,759)
Non-deductible expenditure	5,983	35,761
R&D Incentive	277,200	413,671
Prior period adjustments temporary differences not brought to account	346,306	539,327
Aggregate income tax benefit	**-**	**-**

	Opening Balance $	Credited/ (Charged) to Income $	Credited/ (Charged) to Equity $	Closing Balance $
(b) Recognised Deferred Tax Assets and Liabilities 2018				
Deferred tax balances				
Taxable and deductible temporary differences arise from the following:				
Deferred tax assets:				
Intangibles	6,233,512	-	-	6,233,512
Provisions	141,241	(55,608)	-	85,633
Losses available for offset against future taxable income	7,154,886	447,119	-	7,602,005
Capital raising expenses	109,081	(27,422)	1,388	83,047
Other	222,152	(22,684)	-	199,468
	13,860,872	341,405	1,388	14,203,665
Deferred tax liabilities				
Prepayments and interest receivable	(598)	598	-	-

	Opening Balance $	Credited/ (Charged) to Income $	Credited/ (Charged) to Equity $	Closing Balance $
	(598)	598	-	-
Net deferred tax assets	13,860,274	342,003	1,388	14,203,665
Less unrecognised deferred tax assets	(13,860,274)	(342,003)	(1,388)	(14,203,665)
Net recognised deferred tax assets	-	-	-	-

	Opening Balance $	Credited / (Charged) to Income $	Credited / (Charged) to Equity $	Closing Balance $
(c) Recognised Deferred Tax Assets and Liabilities 2017				
Deferred tax balances				
Taxable and deductible temporary differences arise from the following:				
Deferred tax assets:				
Intangibles	6,800,195	(566,683)	-	6,233,512
Provisions	118,319	22,922	-	141,241
Losses available for offset against future taxable income	7,185,134	(30,248)	-	7,154,886
Capital raising expenses	120,418	(48,499)	37,162	109,081
Other	284,125	(61,973)	-	222,152
	14,508,191	(684,481)	37,162	13,860,872
Deferred tax liabilities:				
Prepayments and interest receivable	(1,291)	693	-	(598)
	(1,291)	693	-	(598)
Net deferred tax assets	14,506,900	(683,788)	37,162	13,860,274
Less unrecognised deferred tax assets	(14,506,900)	683,788	(37,162)	(13,860,274)
Net recognised deferred tax assets	-	-	-	-

	Consolidated	
	2018 $	2017 $
(d) Unrecognised Deferred Tax Balances		
The following deferred tax assets have not been brought to account:		
Tax losses – revenue Australia	7,602,005	7,154,886
Intangibles	6,233,512	6,233,512
Other	368,148	471,876
	14,203,665	**13,860,274**

f) Tax consolidation

Decimal Software and its wholly-owned Australian controlled entities formed a tax consolidated group on 30 October 2003. Decimal Group and its wholly-owned Australian controlled entities joined the Decimal Software tax consolidated group following completion of the transaction between the parties on 11 April 2014.

9. Earnings per share

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

	Consolidated	
	2018 $	2017 $
(a) Earnings Used in Calculating Earnings Per Share For basic and diluted loss per share:		
Net loss for the year attributable to ordinary shareholders of the parent	**(2,289,050)**	**(3,595,489)**

	2018 Number	2017 Number
(b) Weighted Average Number of Shares		
For basic and diluted loss per share:		
Weighted average number of ordinary shares	298,122,270	253,391,521
Effect of dilution of share options		-
Weighted average number of ordinary shares adjusted for the effect of dilution	**298,122,270**	**253,391,521**

At 30 June 2018 the Company had 31,000,002 unlisted options (2017: 20,166,677) on issue with the last exercisable on or before 23 April 2023. These options are not considered to be dilutive as their exercise price was, on average, higher than Decimal's prevailing share price throughout the financial year.

10. Current assets: Cash and cash equivalents

	Consolidated	
	2018 $	2017 $
Cash at bank and on hand	67,494	1,186,358

11. Current assets: Trade receivables

	Consolidated	
	2018 $	2017 $
Trade receivables	41,848	27,943

a) Allowance for impairment loss

Trade receivables are non-interest bearing and generally paid on term of 30 days. Due to the short-term nature of these receivables the carrying amounts are assumed to approximate fair value. The maximum exposure to credit risk is the carrying amount of those receivables. Trade receivables are not impaired at 30 June 2018.

12. Current and non-current assets: Other receivables and other non-current assets

	Consolidated	
	2018 $	2017 $
Other Receivables		
R&D receivable	765,274	1,170,637
Interest receivable	-	2,174
Net GST receivable	7,238	24,836
Other debtor	5,550	49,787
Term deposits	40,000	40,000
Total other receivables	**818,062**	**1,287,434**
Other non-current assets		
Security deposits	9,333	11,133
Total other non-current assets	**9,333**	**11,133**

a) Interest receivable

Interest receivable on term deposits held with financial institutions are paid on maturity of term deposits.

b) R&D receivable

Research and Development expenditure, included within the expenses recognised in the *Consolidated Statement of Comprehensive Income* totalled $1,759,250 (30 June 2017: $2,691,120) of which a receivable at a 43.5 per cent rebate rate has been recognized. Due to the short-term nature of this receivable the carrying amount is assumed to approximate fair value.

c) Security deposits

Term deposits held as security over lease of commercial premises in Sydney and Perth. The carrying amount of the asset is considered to be the fair value of the asset.

13. Non-current assets: Property, plant and equipment

	Consolidated	
	2018 $	2017 $
Computer Equipment at cost	166,365	167,505
Accumulated depreciation	(157,221)	(145,880)
Net carrying amount	**9,144**	**21,625**
Furniture and Fittings at cost	17,793	17,793
Accumulated depreciation	(16,184)	(13,919)
Net carrying amount	**1,609**	**3,874**
Leasehold Improvements at cost	3,896	3,896
Accumulated depreciation	(2,467)	(1,688)
Net carrying amount	**1,429**	**2,208**
Total cost	188,054	189,194
Accumulated deprecation	(175,872)	(161,487)
Net carrying amount	**12,182**	**27,707**
Computer Equipment		
At 1 July, net of accumulated depreciation	21,625	52,475
Additions	-	9,249
Disposals	(158)	(3,372)
Depreciation charge for the year	(12,323)	(36,727)
	9,144	**21,625**
Furniture and Fittings		
At 1 July, net of accumulated depreciation	3,874	6,307
Depreciation charge for the year	(2,265)	(2,433)
	1,609	**3,874**
Leasehold Improvements		
At 1 July, net of accumulated depreciation	2,208	2,987
Depreciation charge for the year	(779)	(779)
	1,429	**2,208**
Total Fixed Assets		
At 1 July, net of accumulated depreciation	27,707	61,769
Additions	-	9,249
Disposals	(158)	(3,372)
Depreciation charge for the year	(15,367)	(39,939)
Net carrying amount	**12,182**	**27,707**

The useful life of the assets was estimated as follows:

Computer Equipment	3 to 4 years
Furniture and Fittings	5 years

14. Intangible assets

	Consolidated	
	2018 $	2017 $
Cost		
At 1 July	329,276	329,276
Less fully amortised	(139,557)	-
At 30 June	**189,719**	**329,276**
Amortisation & impairment		
At 1 July	**(283,061)**	(250,361)
Less fully amortised	139,557	-
Amortisation of intangible assets	(45,708)	(32,700)
At 30 June	**(189,212)**	**(283,061)**
Net book value	**507**	**46,215**

a) Intangible assets impaired

At 30 June 2018 Intangible Assets of $507 remained. Accounting software purchased in June 2014 was fully amortised as it was no longer used by the end of June 2018 and the remainder is for a data services supplier. The remainder of the data service supplier will be fully amortised in the 2019 year. Directors have assessed the value of the intangible assets and have concluded that the carrying value is reasonable.

15. Current and non-current liabilities: Trade and other payables

	Consolidated	
	2018 $	2017 $
Current liabilities-Trade and other payables		
Trade payables	42,946	89,866
Accrued expenses	38,556	62,605
Premium Funding	57,654	44,968
Total current liabilities-Trade and other payables	**139,156**	**197,439**

a) 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.

b) Premium Funding

Insurance premiums were premium funded during the year over 10 months. The amount financed was $72,090 at a flat interest rate of 6.7%. Due to the short-term nature of the premium funding, their carrying value is considered to approximate their fair value.

16. Current liabilities: Employee benefit liabilities

	Consolidated	
	2018 $	2017 $
Annual leave	137,271	248,136
Employment related taxes	50,424	105,466
Wages payable	-	8,848
Superannuation	50,623	91,902
Long service leave	74,934	109,279
	313,252	**563,631**

17. Non-current liabilities: Provisions

	Consolidated	
	2018 $	2017 $
Long service leave	48,567	64,286

18. Contributed equity

	Consolidated	
	2018 $	2017 $
Ordinary shares fully paid(i)(ii)	35,920,184	35,058,230
Treasury Shares	(36,969)	(36,969)
	35,883,215	**35,021,261**

Notes

(i) Fully paid ordinary shares carry one vote per share and carry the right to dividends.
(ii) The Company does not have authorised capital or par value in respect of its shares.

	2018 Number	2017 Number
Movement in ordinary shares on issue		
At the beginning of the reporting period	286,873,155	229,498,524
Shares issued – 25 January 2017	-	57,374,631
Shares issued – 31 January 2018	28,900,000	-
At the end of the reporting period	**315,773,155**	**286,873,155**

	2018 $	2017 $
Movement in share capital		
At the beginning of the reporting period	35,058,230	32,898,379
Issue of shares for cash	867,000	2,294,985
Less cost relating to share issue	(5,046)	(135,134)
At the end of the reporting period	**35,920,184**	**35,058,230**

	2018 $	2017 $
Movement in treasury shares		
At the beginning of the reporting period	(36,969)	(36,969)
Movement during the period	-	-
At the end of the reporting period	**(36,969)**	**(36,969)**

19. Reserves

	Consolidated	
	2018 $	2017 $
Share based payment reserve at the beginning of the financial year	**935,322**	**839,568**
Expense arising from equity settled share based payment transactions	9,739	95,784
Balance at the end of the financial year	**945,061**	**935,322**

a) Nature and purpose of reserve

The share based payments reserve records the value of share options issued to the Company's directors, employees and third parties.

20. Accumulated losses

	Consolidated	
	2018 $	2017 $
Accumulated losses	**(36,320,644)**	**(34,031,594)**
Movements in accumulated losses		
Balance at the beginning of the financial year	(34,031,594)	(30,436,105)
Net loss for the reporting period	(2,289,050)	(3,595,489)
Balance at the end of the financial year	**(36,320,644)**	**(34,031,594)**

21. Cash flow statement reconciliation

	Consolidated	
	2018 $	2017
Reconciliation of Loss after Tax to Net Cash Flows from Operations		
Loss from ordinary activities after income tax	(2,289,050)	(3,595,489)
Adjustments for non-cash income and expense items:		
Depreciation, amortisation and impairment	61,075	72,639
Loss on disposal of fixed assets	58	3,019
Share based payments	9,739	95,754
Bad debts written off	-	350
Changes in assets and liabilities:		
Decrease/(Increase) in trade receivables	(13,905)	51,773
Decrease/(Increase) in prepayments	85,498	6,244
Decrease/(Increase) in other receivables and current assets	458,486	226,357
(Decrease)/Increase in trade and other payables	(58,283)	(179,245)
(Decrease)/Increase in rent incentive payment	-	-
(Decrease)/Increase in income in advance	18,876	1,487

	Consolidated	
	2018 $	2017
(Decrease)/Increase in employment liabilities	(266,098)	89,149
Net cash flows used in operating activities	**(1,993,604)**	**(3,227,962)**

22. Related party disclosures

a) Ultimate parent

The ultimate Australian parent entity and the ultimate parent of the Consolidated Entity is Decimal Software Limited. There were no transactions other than loan arrangements between the group and the parent during the financial year or the prior year.

b) Subsidiaries

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

			Equity Interest	
Name	Country of Incorporation	Functional Currency	2018 %	2017 %
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	USD	100	100

c) Key management personnel

Disclosures relating to Key Management Personnel are set out in the audited remuneration report.

23. Key management personnel

a) Compensation for key management personnel

	Consolidated and Parent	
	2018 $	2017 $
Short term employee benefits	672,069	845,053
Post-employment benefits	49,672	65,258
Long term benefits	70,497	38,502
Share Options	(2,367)	83,084
	789,871	**1,031,897**

24. Share based payments

a) Recognised Share based payment expenses

	Consolidated	
	2018 $	2017 $
Expense arising from equity settled share based payment transactions	9,739	95,754

b) Share based payment plan

Employees and Executives option plan

Decimal has an Employees and Executives option plan where the Company may at the discretion of the Board, grant options over the ordinary shares of Decimal Software to executives and certain members of staff of the Consolidated Entity. The options, issued for nil consideration, are granted in accordance with guidelines established by the Directors of Decimal Software. The contractual life of each option granted is variable. The vesting period is pre-determined by the Company without considering the performance conditions. There are no cash settlement alternatives.

The share options are forfeited if the Company initiates the termination of the employee, the employee resigns or director due to serious misconduct. The options will not be quoted on the ASX.

c) Summary of options granted

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

	2018	WAEP	2017	WAEP
Outstanding at the beginning of the year	20,166,677	0.31	17,333,343	0.33
Granted during the year	34,500,000	0.07	4,000,000	0.27
Exercised during the year	-	-	-	-
Forfeited during the year	(23,666,675)	0.25	(1,166,666)	0.52
Expired during the year	-	-	-	-
Outstanding at the end of the year	**31,000,002**	**0.07**	**20,166,677**	**0.31**

The outstanding balance as at 30 June 2018 is represented by:

- 166,668 options exercisable at $0.60, vested on 1 July 2017 and expiring on 30 June 2019.
- 500,000 options exercisable at $0.60, vested on 1 July 2017 and expiring on 30 June 2019.
- 3,500,000 options exercisable at $0.12, vested on 27 January 2016 and expiring on 27 January 2019.
- 250,000 options exercisable at $0.12, vested on 8 September 2017 and expiring on 8 September 2019.
- 250,000 options exercisable at $0.24, vesting on 8 September 2018 and expiring on 8 September 2020.

- 666,666 options exercisable at $0.12, vested on 14 June 2017 and expiring on 14 June 2019.
- 666,668 options exercisable at $0.24, vested on 14 June 2018 and expiring on 14 June 2020.
- 333,333 options exercisable at $0.10, vested on 22 May 2018 and expiring on 22 May 2020.
- 333,333 options exercisable at $0.15, vesting on 22 May 2019 and expiring on 22 May 2021.
- 333,334 options exercisable at $0.18, vesting on 22 May 2020 and expiring on 22 May 2022.
- 8,000,000 options exercisable at $0.03, vesting on 23 April 2019 and expiring on 23 April 2021.
- 5,000,000 options exercisable at $0.04, vesting on 23 April 2020 and expiring on 23 April 2022.
- 2,000,000 options exercisable at $0.16, vesting on 23 April 2021 and expiring on 23 April 2023.
- 9,000,000 options exercisable at $0.03, vesting on 28 May 2019 and expiring on 30 June 2020.

d) Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding at 30 June 2018 is 2.50 years (2017: 1.55 years).

e) Range of exercise prices and weighted average share price at the date of exercise

The range of exercise prices for options outstanding at the end of the year was $0.03-$0.60 (2017: $0.10-$0.60). There were no options exercised in the current or the prior year.

f) Weighted average fair value

The weighted average fair value per option granted during the current year was $0.07 (2017: $0.15).

g) Option pricing model

Equity settled transactions

The fair value of the equity settled share options granted during the financial year is estimated as at the date of grant using a Black Scholes Option Pricing Model.

The following table lists the inputs to the model used for the year ended 30 June 2018.

	2018
Dividend yield (%)	-
Expected volatility (%)	90%
Risk-free interest rate (%)	1.50%-2.42%
Expected life of options (years)	1-5
Options exercise price ($)	$0.03-$0.18
Weighted average share price at grant date ($)	$0.02

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the options granted were incorporated into the measurement of fair value.

25. Financial risk management

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

The Consolidated Entity has a policy not to participate in derivatives or hedging activity. As a result, the Consolidated Entity has not formulated any specific management objectives and policies in respect to these types of financial instruments. Should the Consolidated Entity change its position in the future, a considered summary of these policies will be disclosed at that time.

The Consolidated Entity 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 assessment of market forecasts for interest rate and foreign exchange. The credit risk is managed by only dealing with recognized, creditworthy third parties and liquidity risk is monitored through the development of future rolling cash flow forecasts.

a) Interest rate risk

The Consolidated Entity's current exposure to the risk of changes in market interest rates relate primarily to cash assets rates and is managed by the Board of Directors.

During the financial year, the Group has managed its cash assets by entering into term deposits to maximise its cash balance and minimise investment risk.

The following table summarises the impact of reasonably possible changes on interest rates for the Consolidated Entity at 30 June 2018. The sensitivity is based on the assumption that interest rate changes by 80 basis points with all other variables held constant. The 80 basis points sensitivity is based on reasonably possible changes over a financial year, using the observed range of actual historical rates for the preceding three year period. The analysis was performed on the same basis for the comparative period.

The exposure to interest rate risk on pre-tax profit arises from higher or lower interest income from cash and cash equivalents. The Group's main interest rate risk arises from cash and cash equivalents with variable interest rates.

	Consolidated	
	2018 $	2017 $
Financial assets		
Cash and cash equivalents	67,494	1,186,358

	Pre-tax Profit		Other Comprehensive Income	
	2018 $	2017 $	2018 $	2017 $
Consolidated Entity				
80 basis point increase	540	9,811	-	-
80 basis point (decrease)	(540)	(9,811)	-	-

b) Foreign currency risk

The Consolidated Entity transacts predominantly in Australian dollars and therefore does not participate in the use of derivative financial instruments. Minor exposure to foreign exchange transactions may occur as a result of the Consolidated Entity's activities in other jurisdictions arising from variations in the Australian exchange rate.

The impact of these foreign exchange differences is not material, therefore the Consolidated Entity considers there is no material foreign exchange risk at present.

c) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

d) Liquidity risk

The responsibility for liquidity risk management rests with the Board of Directors.

The Consolidated Entity manages liquidity risk by maintaining sufficient cash to meet the operating requirements of the business and investing excess funds in highly liquid, high security short term investments.

The Consolidated Entity's liquidity needs can be met through a variety of sources, including cash generated from operations and issue of equity instruments.

The following table details the Consolidated Entity's non-derivative financial instruments according to their contractual maturities. The amounts disclosed are based on contractual undiscounted cash flows.

	Less than 6 Months $	6 Months to 12 Months $	1 to 2 Year $s	Greater than 2 Years $
Consolidated entity at 30 June 2018				
Trade and other payables	117,919	-	-	-
Consolidated entity at 30 June 2017				
Trade and other payables	197,439	-	-	-

e) Capital risk management

Capital is defined as contributed equity of $35,883,215 (2017: $35,021,261).

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

In order to maintain or adjust the capital structure, the entity may adjust the amount of dividends paid to shareholders, issue new shares, enter into joint ventures or sell assets.

The entity does not have a defined share buy-back plan.

No dividends were paid in 2018 and no dividends are expected to be paid in 2019.

The Consolidated Entity is not subject to any externally imposed capital requirements.

26. Commitments

Estimated commitments for which no provisions were included in the financial statements are as follows:

	Consolidated	
	2018 $	2017 $
(a) Operating Lease Commitments		
Not later than one year	62,659	90,480
Later than one year and not later than five years	-	-
Total minimum lease payments	**62,659**	**90,480**

The lease commitment is for the lease of Decimal's office in Perth.

27. Contingent liabilities and contingent assets

Contingent liabilities

The Consolidated Entity previously had operations in foreign jurisdictions. Some of the transactions in these foreign jurisdictions are subject to calculations and determinations which require a considerable amount of judgement and an understanding of the various legislation.

The Research and Development Tax Incentive Offset program in Australia is a self-assessment regime and there is a four year period from the date of lodgement where the claim may be subject to a review by the Australian Taxation Office or AusIndustry, who have the right to demand a refund, together with interest and penalties, for any amounts they determine to not have met the requisite criteria.

During the period under review, and up to the date of signing the accounts, the Consolidated Entity had not been subject to a review and had therefore had no current exposure.

The Research and Development Tax Incentive Offset program in Australia is a self-assessment regime and there is a four year period from the date of lodgement where the claim may be subject to a review by the Australian Taxation Office or AusIndustry, who have the right to demand a refund, together with interest and penalties, for any amounts they determine to not have met the requisite criteria.

28. Significant events after balance date

The Company put in place a R&D rebate funding facility of $600,000 from Rocking Horse Nominees Pty Ltd. It was fully drawn down on 3 July 2018.

On 20 September 2018, the Company entered into a binding Scheme Implementation Agreement ("SIA") with Sargon Capital Pty Ltd ("Sargon") under which Sargon has agreed to acquire 100% of the issued shares in the Company for *1.41 cents* cash per share by way of a Court approved scheme of arrangement ("Proposal").

The cash consideration of *1.41 cents* per Decimal share offered under the Proposal represents a 76% premium to the last closing price of Decimal shares of 0.80 cents on the day of announcement, and a 35% premium to the 30 day VWAP of Decimal shares on ASX prior to the date of this announcement.

Sargon is a private company that provides financial institutions and entrepreneurs with the technology and infrastructure they need to successfully build and grow investment funds and financial products.

On 31 July 2018, Sargon entered into a loan agreement with the Company to advance $300,000 at an interest rate of 8% per annum for general working capital. The advance is to be repaid 6 months after the date of the agreement.

On 20 September 2018, Sargon entered into another loan agreements with the Company to advance $300,000 at an interest rate of 8% per annum for general working capital. The advance is to be repaid 6 months after the date of the agreement.

As at the date of this report, the Company has not drawdown on either loan.

29. Auditor's remuneration

	Consolidated	
	2018 $	2017 $
The auditor of Decimal Software is Ernst & Young.		
Amounts received or due and receivable by Ernst & Young (Australia) for:		
An audit or review of the financial report of the Company and any other entity in the consolidated group	75,273	74,490
Other services in relation to the entity and any other Company in the consolidated group for tax compliance and advisory services	11,201	12,888
	86,474	**87,378**

Directors' declaration

In accordance with a resolution of the directors of Decimal Software Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

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

(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, subject to the achievement of the matters set out in Note 2(a);

(d) 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 year ended 30 June 2018.

On behalf of the Board

Mark Potts

Mark Potts

Chairman and Director

Perth

28 September 2018

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Independent auditor's report to the members of Decimal Software Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Decimal Software Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, 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:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated financial performance for the year ended on that date; and

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

Material uncertainty related to going concern

We draw attention to Note 2a in the financial report, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Research and development rebate claim

Why significant	How our audit addressed the key audit matter
As outlined in Note 6(b) *Revenue and Other Income*, the Group recognised as income, a research & development (R&D) rebate benefit totalling $765,274 for the year ended 30 June 2018. The matter was considered significant for the following reasons: ▸ The R&D rebate receivable balance is a significant component of income to the Group. ▸ As outlined in Note 3 Significant accounting judgments, estimates and assumptions, there is a degree of judgment involved as to whether the R&D rebate meets the recognition criteria and in determining the measurement of the rebate including the assessment of the eligibility and appropriateness of the apportionment of eligible expenses based on R&D activities undertaken by the Group.	Our audit procedures included the following: ▸ Assessed the mathematical accuracy of the calculation of the Group's claim. ▸ On a sample basis, agreed expenses claimed with source documentation, such as payroll information and invoices. ▸ Involved our R&D taxation specialists to review the Group's R&D claim and to consider that the Group's determination that the R&D claim meets the recognition criteria and that the a valid entity has applied for the R&D Tax Incentive. ▸ Have obtained representations from the Group that the activities are eligible under the self-assessed R&D Tax Incentive criteria, and that sufficient substantiation in support of the technical and expenditure components of the R&D tax claim is retained and can be provided in case of review. ▸ Considered the appropriateness of the disclosures in the financial report.

Revenue recognition

Why significant	How our audit addressed the key audit matter
As outlined in Note 2(p) *Revenue Recognition*, the Group has a number of different types of revenue relating to the sale of products and services, including revenue from license fees, maintenance service fees, and configuration and implementation services. The matter was considered significant given each of the different revenue types has different revenue recognition criteria that must be satisfied and the timing of the completion of services impacts the period over which the revenue is recognised.	Our audit procedures included the following: ▶ On a sample basis, we reviewed the contractual terms of customer contracts to assess whether revenue was recognised in accordance with the contractual terms and conditions. ▶ Selected a sample of revenue transactions and assessed whether revenue was recognised in accordance with Australian Accounting Standards.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2018 Annual Report, but does not include the financial report and our 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, with the exception of the Remuneration Report and our related assurance opinion.

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 Group's ability to continue as a going concern, disclosing, as applicable, matters relating 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the audit of the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 18 to 25 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Decimal Software 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.

Ernst & Young

Ernst & Young

T G Dachs
Partner
Perth
28 September 2018

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Decimal Software Limited ("Decimal") is responsible for its corporate governance, that is, the system by which the Group is managed. This statement outlines the main corporate governance practices in place during the financial year, which comply with the ASX Corporate Governance recommendations unless otherwise stated.

1. Board of directors

Role of the Board and management

The Board represents shareholders' interests in ensuring a successful business, which seeks to optimise medium to long-term financial gains for shareholders. By not focusing on short-term gains for shareholders, the Board believes that this will ultimately result in the interests of all stakeholders being appropriately addressed when making business decisions.

The Board is responsible to oversee that the Group is managed in such a way to best achieve this desired result. Given the current size and operations of the business, the Board currently undertakes an active, not passive role.

The Board is responsible for evaluating and setting the strategic directions for the Group, establishing goals for senior management and monitoring the achievement of these goals. Senior management is responsible to the Board for the operation and administration of the Group.

The Board is responsible for:

- approving the Company's strategic and operating objectives and monitoring the implementation by senior management;
- reviewing and ratifying the Company's financial position, systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestments;
- approving the appointment and remuneration of directors and reviewing their performance;
- evaluating the performance of the CEO and setting the basis for determining corporate remuneration bases;
- ensuring that policies and procedures in place are consistent with the Company's objectives; and
- monitoring that the Company and its officers act legally, ethically and responsibly in all matters.

The Board's role and the Group's corporate governance practices are being continually reviewed and improved as required.

Composition of the Board

The Company has the following Board members at the date of this report:

Mr Mark Potts	Independent Chairman	Appointed 14 June 2016

Mr Gary Cox	Independent Director	Appointed 1 December 2015
Mr Jan Kolbusz	Non-Executive Director	Appointed 11 April 2014, moved to non-executive on 11 August 2017
Ms Pauline Vamos	Independent Director	Appointed 18 May 2017

Details of the directors, including their qualifications, experience and date of appointment are set out in the Directors' Report.

The Company's Constitution provides that the number of directors shall not be less than three and not more than ten. There is no requirement for any shareholding qualification.

The Board has assessed the independence status of the directors and has determined that there are three independent directors, being Mr Potts, Mr Cox and Ms Vamos.

The Board has followed the ASX Corporate Governance Principles and Recommendations when assessing the independence of the directors, which define an independent director to be a director who:

- is non-executive;
- is not a substantial shareholder (i.e. greater than 5 per cent) of the Company or an officer of, or otherwise associated, directly or indirectly, with a substantial shareholder of the Company;
- has not within the last three years been employed in an executive capacity by the Company or another Group member, or been a director after ceasing to hold such employment;
- within the last three years has not been a principal or employee of a material professional adviser or a material consultant to the Company or another Group member;
- is not a significant supplier or customer of the Company or another Group member, or an officer of or otherwise associated, directly or indirectly, with a significant supplier or customer;
- has no material contractual relationship with the Company or another Group member other than as a director of the Company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

Materiality for these purposes is determined on both quantitative and qualitative basis. An amount which is greater than five per cent of either the net assets of the Company or an individual director's net worth is considered material for these purposes.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the appointment and further expense of additional independent Non-Executive Directors. The Board believes that the individuals on the Board can make, and do make, quality and independent judgments in the best interests of the Company on all relevant issues. It is however noted that Decimal implemented an independent advisory Board during the 2016 year.

If the Group's activities increase in size, nature and scope, the size of the Board will be reviewed periodically and the optimum number of directors required for the Board to properly perform its responsibilities and functions will be appointed.

The membership of the Board, its activities and composition is subject to periodic review to ensure an appropriate mix of expertise and experience. The criteria for determining the identification and appointment of a suitable candidate for the Board shall reflect the following skills matrix.

Expertise	Experience
▪ Legal, governance and compliance	▪ Executive leadership
▪ Investor relations	▪ Non-executive background
▪ Corporate finance	▪ Listed companies
▪ Financial and risk management	▪ Financial Services
▪ Corporate strategy	▪ Information technology
▪ Commercial acumen	▪ Growth stage businesses

Before the Board appoints a new Director or puts forward a candidate for election, the Board will ensure that appropriate background checks are undertaken. Directors are initially appointed by the full Board subject to election by shareholders at the next annual general meeting. All material information relevant to a decision on whether or not to elect or re-elect a Director must be provided to security holders in the Notice of Meeting containing the resolution to elect or re-elect a Director. Under the Company's Constitution the tenure of directors is subject to reappointment by shareholders not later than the third anniversary following their last appointment.

Subject to the requirements of the Corporations Act 2001, the Board does not subscribe to the principle of retirement age and there is no maximum period of service as a director. A chief executive officer may be appointed for any period and on any terms the directors think fit and, subject to the terms of any agreement entered into, the Board may revoke any appointment.

The Company Secretary is accountable to the Board, through the Chairman, on all governance matters.

Committees of the Board

Decimal does not currently have an Audit, Nomination or Remuneration Committee.

The Board considers that the Group is not currently of a size, nor are its affairs of such complexity to justify the formation of separate or special committees at this time. The Board as a whole is able to address the governance aspects of the full scope of the Group's activities and to ensure that it adheres to appropriate ethical standards. As a result, these committees are not currently in place.

The Board has also established a framework for the management of the Group including a system of internal controls, a business risk management process and the establishment of appropriate ethical standards.

The full Board currently holds regular meetings to address any general or specific matters as required.

If the Group's activities increase in size, scope and nature, the appointment of separate or special committees will be reviewed by the Board and implemented if appropriate.

Conflicts of interest

In accordance with the Corporations Act and the Company's Constitution, Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Group. Where the Board believes that a significant conflict exist the Director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered.

Independent professional advice

The Board has determined that individual Directors have the right in connection with their duties and responsibilities as Directors, to seek independent professional advice at the Company's expense. The engagement of an outside adviser is subject to prior approval of the Chairman and this will not be withheld unreasonably. If appropriate, any advice so received will be made available to all Board members.

2. Ethical standards and diversity policy

The Board acknowledges the need for continued maintenance of the highest standard of corporate governance practice and ethical conduct by all Directors and employees of the Group.

Code of conduct

The Group has implemented a Code of Ethics and Conduct, which provides guidelines aimed at maintaining high ethical standards, corporate behaviour and accountability within the Group.

The principles of the code are:

- actively promote the highest standards of ethics and integrity in carrying out their duties for the Company;
- disclose any actual or perceived conflicts of interest of a direct or indirect nature of which they become aware and which they believe could compromise in any way the reputation or performance of the Company;
- respect confidentiality of all information of a confidential nature, which is acquired in the course of the Company's business and their dealings with the Company and not disclose or make improper use of such confidential information to any person unless specific authorisation is given for disclosure or disclosure is legally mandated;
- deal with the Company's customers, suppliers, competitors and each other with the highest level of honesty, fairness and integrity and observe the rule and spirit of the legal and regulatory environment in which the Company operates; and
- protect the assets of the Company to ensure their availability for legitimate business purposes that all corporate opportunities are enjoyed by the Company and that no property, information or position belonging to the Company or opportunity arising from these are used for personal gain or to compete with the Company.

All employees and Directors are expected to:

- respect the law and act in accordance with it;
- respect confidentiality and not misuse Group information, assets or facilities;

- value and maintain professionalism and maintain professional competence;
- avoid real or perceived conflicts of interest and act with objectivity;
- act in the best interests of shareholders;
- by their actions contribute to the Group's reputation as a good corporate citizen which seeks the respect of the community and environment in which it operates;
- perform their duties in ways that minimise environmental impacts and maximise workplace safety;
- exercise fairness, courtesy, respect, consideration and sensitivity in all dealings within their workplace and with customers, suppliers the public generally and any other third parties; and
- act with honesty, integrity, decency and responsibility at all times.

An employee that breaches the Code of Ethics and Conduct may face disciplinary action. If an employee suspects that a breach of the Code of Ethics and Conduct has occurred or will occur, he or she must report that breach to senior management. No employee will be disadvantaged or prejudiced if he or she reports in good faith a suspected breach. All reports will be acted upon and kept confidential.

Diversity policy

The Company has an approved Diversity Policy. The Company encourages diversity in employment as a means of assuring that the Company has access to an appropriate mix of skills and talents to enable it to conduct its business and achieve the Company's goals in an effective manner.

The Company will promote diversity and foster an environment within the Company that respects diversity in the workplace and promotes equal opportunities for employment and work environment that is free from harassment.

The Board proactively monitors Company performance in meeting the standards and policies outlined in the Diversity Policy. This includes an annual review of the diversity objectives set by the Board, and its progress in achieving them.

At the date of this report Decimal has one female employee, which represent 8 per cent of employees.

Dealings in company securities

The Company's share trading policy imposes basic trading restrictions on all Directors and employees of the Group. Directors and employees must not:

- deal in the Company's securities on considerations of a short-term nature and must also take reasonable steps to prevent any person connected with them from doing the same; and
- deal in any of the Company's securities if they have unpublished price-sensitive information.

Unpublished price sensitive information is information that:

- is not generally available; and
- if it were generally available, it would, or would be likely to have a significant effect on the price or value of the Company's securities.

If an employee possesses inside information, the person must not:

- trade in the Company's securities;

- advise others or procure others to trade in the Company's securities; or
- pass on the inside information to others, including colleagues, family or friends, knowing (or where the employee or Director should have reasonably known) that the other persons will use that information to trade in, or procure someone else to trade in, the Company's securities

In addition to the above, key management personnel ('KMP') must obtain clearance from the Chairman before dealing in any securities. The Chairman must seek written approval from two Directors before trading in any securities of the Company. KMP must notify the Company Secretary immediately after they have bought or sold the Company's securities or exercised options. In accordance with the provisions of the Corporations Act and the Listing rules of the ASX, the Company Secretary on behalf of the Directors must advise the ASX of any transactions conducted by Directors in the securities of the Company.

KMP must not deal in the Company's securities during a closed period. A 'closed period' is:

- during the five-business day period prior to the expected release of
  - a scheduled announcement containing inside information;
  - introduction of an important new product or service;
  - a possible change in the strategic direction of the company
  - entry or likely entry into or termination of material contracts or other material business arrangements;
  - a capital raising;
  - a target statement for a takeover offer for securities of the Company;
  - a bidder statement for the issue of securities in the company;
  - senior management changes.

- from the 31st of the July until the opening of the first full day of trading after the Company's full year results are released to the ASX;
- from the 31st of January until the opening of the first full day of trading after the Company's half year results are released to the ASX; and
- any other period determined by the Board from time to time to be a closed period.

Breaches of the Securities Trading policy will be subject to disciplinary action, which may include termination of employment.

Interests of other stakeholders

The Group's objective is to be a successful technology focussed provider of cloud-based software-as-a-service, predominantly to the financial services sector and expanding into other segments and create wealth for shareholders. The Group's operations are subject to various laws and regulations under government legislation. Full compliance with these laws and regulations is regarded as a minimum standard for the Group to achieve.

To assist in meeting its objective, the Group conducts its business within the Code of Ethics and Conduct, as outlined in this section.

3. Disclosure of information

Continuous disclosure to ASX

The continuous disclosure policy requires all employees and Directors to inform the Chairman or in his absence the Company Secretary of any potentially material information as soon as practicable after they become aware of that information.

Information is material if it is likely that the information would influence investors who commonly acquire securities on ASX in deciding whether to buy, sell or hold the Company's securities.

Information need not be disclosed if:

- it is not material and a reasonable person would not expect the information to be disclosed, or it is material but due to a specific valid commercial reason is not to be disclosed; and
- the information is confidential; or
- one of the following applies:
  - it would breach a law or regulation to disclose the information;
  - the information concerns an incomplete proposal or negotiation;
  - the information comprises matters of supposition or is insufficiently definite to warrant disclosure;
  - the information is generated for internal management purposes;
  - the information is a trade secret;
  - it would breach a material term of an agreement, to which the Group is a party, to disclose the information;
  - the information is confidential and release of it may benefit the Group’s potential competitors.

The Chairman and the Company Secretary are responsible for interpreting and monitoring the Group's disclosure policy and where necessary informing the Board. The Company Secretary is responsible for all communications with ASX.

Communication with shareholders

The Group places considerable importance on effective communications with shareholders.

The Group's communication strategy requires communication with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions on the operations and results of the Group. The strategy provides for the use of systems that ensure a regular and timely release of information about the Group to shareholders.

Mechanisms employed include:

- Announcements lodged with ASX;
- ASX Quarterly Cash Flow Reports;
- Half Yearly Report;
- Presentations at the Annual General Meeting/General Meeting's and other forums;

- Annual Report;
- Conferences and Investor Briefings; and
- Decimal Software's website which will include all reports, ASX and media releases and copies of significant business presentations.

Shareholders can also communicate electronically with Decimal's share registry Computershare Investor Services Pty Ltd on all shareholder related matters via web.queries@computershare.com.au or via telephone on 1300 557 010.

Furthermore, shareholders can communicate directly with the Group through email via enquiries@decimal.com.au and telephone via 1300 220 799.

The Board encourages full participation of shareholders at the Annual General Meeting ("AGM") and General Meetings to ensure a high level of accountability and understanding of the Group's strategy and goals.

Those shareholders who are unable to attend can appoint a proxy who will vote on their behalf. The results of voting at the AGM will be lodged with ASX as soon as possible after the AGM and also published on the Group's website.

4. Risk management and internal control

Approach to risk management and internal control

The identification and effective management of risk, including calculated risk-taking, is viewed as an essential part of the Company's approach to creating long-term shareholder value.

The Group operates a standardised risk management process that provides a consistent framework for the identification, assessment, monitoring and management of material business risks. This process is based on the Australian/New Zealand Standard for Risk Management (AS/NZS 4360 Risk Management) control framework for enterprise risk management.

Strategic and operational risks are reviewed at least annually as part of the annual strategic planning, business planning, forecasting and budgeting process and other risks on a regular basis.

The Group has developed a series of operational risks which the Group believes to be inherent in the industry in which the Group operates having regard to the Group's circumstances (including financial resources, prospects and size). These include:

- protection of intellectual property;
- government policies and legislation;
- retention of key employees;
- new market entrants or technological developments; and
- macro-economic environment

These risk areas are provided to assist investors to understand better the nature of the risks faced by our Group and the industry in which the Group operates. They are not necessarily an exhaustive list.

The Group does not have material exposure to environmental and social sustainability risks.

Risk management roles and responsibilities

Senior management is responsible for designing, implementing and reporting on the adequacy of the Group's risk management and internal control system. Senior management reports regularly to the Board on the Group's key risks and the extent to which it believes these risks are being managed.

The Board is responsible for reviewing and approving the Group's risk management and internal control system and satisfying itself annually, or more frequently if required, that senior management has developed and implemented a sound system of risk management and internal control. The Board reviewed its risk management during the financial year ended June 2018 and have confirmed it is operating effectively.

Integrity of financial reporting

The Board also receives a written assurance from the Chief Executive Officer (which is also a director) and the Head of Finance that to the best of their knowledge and belief, the declaration provided by them in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks.

The Board notes that due to its nature, internal control assurance from the Chief Executive Officer and Head of Finance can only be reasonable rather than absolute. This is due to such factors as the need for judgement, the use of testing on a sample basis, the inherent limitations in internal control and because much of the evidence available is persuasive rather than conclusive and therefore is not and cannot be designed to detect all weaknesses in control procedures.

Internal audit

The Group does not have an independent internal audit function. The Company Secretary and senior management are responsible for improving the effectiveness of the company's risk management and internal control processes which is monitored by the Board.

The Company Secretary and senior management have full access to all functions, records, property and personnel of the Group in discharging their duties.

Role of external auditor

The Group's auditor is obliged to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

5. Performance review

The Board has adopted a self-evaluation process to measure its own performance on a regular basis. Reviews are also undertaken frequently in relation to the composition and skills mix of the Directors of the Company. The Board reviewed its performance during the financial year ended June 2018.

Arrangements put in place by the Board to monitor the performance of the Group's executives include:

- a review by the Board of the Group's financial performance;
- performance appraisal meetings incorporating analysis of key performance indicators with each individual to ensure that the level of reward is aligned with respective responsibilities and individual contributions made to the success of the Group;
- an analysis of the Group's prospects and projects; and
- a review of feedback obtained from third parties, including advisers.

The Board reviewed the performance of its senior executives during the financial year ended June 2018.

6. Remuneration arrangements

The broad remuneration policy is to ensure that remuneration properly reflects the relevant person's duties and responsibilities, and that the remuneration is competitive in attracting, retaining and motivating people of the highest quality. The Board believes that the best way to achieve this objective is to provide executives with a remuneration package consisting of fixed components that reflect the person's responsibilities, duties and personal performance.

In addition to the above, the Group has developed a limited equity-based remuneration arrangement for executives. The plan rules prohibit participants entering into transactions which limit the economic risk of participating in the scheme.

The remuneration of Non-Executive Directors is determined by the Board as a whole having regard to the level of fees paid to non-executive directors by other companies of similar size in the industry.

The aggregate amount payable to the Company's Non-Executive Directors must not exceed the maximum annual amount of $200,000 approved by the Company's shareholders in 2002.

COMPLIANCE WITH ASX CORPORATE GOVERNANCE RECOMMENDATIONS

During the 2018 financial year, the Company complied with the ASX Principles and Recommendations other than in relation to the matters specified below:

Recommendation	Notification of departure	Explanation for departure
Recommendation 2.1-A: The Board should establish a nomination committee.	A separate nomination committee has not been established.	The Board considers that the Company is not currently of a size to justify the formation of a nomination committee. The Board as a whole undertakes the process of reviewing the skill base and experience of existing Directors to enable identification of attributes required in new Directors.
Recommendation 2.6: The Board should have a program for inducting new directors and provide professional development opportunities for directors.	A formal induction and development plan has not been introduced.	The Board considers that the Company is not currently of a size where a formal induction and development program for Directors is necessary. All directors are encouraged and supported to continue their professional development and maintain their skills and knowledge in order to perform their roles effectively.
Recommendation 4.1: The Board should establish an audit committee and have a formal audit committee charter.	A separate audit committee has not been formed and there is not an audit committee operating charter.	The Board considers that the Company is not currently of a size and nor are its financial affairs of such complexity so as to justify the formation of an audit committee. The Board as a whole undertakes the selection and proper application of accounting policies, the identification and management of risk and the review of the operations of the internal control systems.

Recommendation	Notification of departure	Explanation for departure
Recommendation 2.1-A: The Board should establish a nomination committee.	A separate nomination committee has not been established.	The Board considers that the Company is not currently of a size to justify the formation of a nomination committee. The Board as a whole undertakes the process of reviewing the skill base and experience of existing Directors to enable identification of attributes required in new Directors.
Recommendation 7.1: The Board should establish a committee to oversee risk.	A separate risk committee has not been formed.	The Board considers that the Company is not currently of a size nor are its financial affairs of such complexity to justify the formation of a risk committee. Senior management is responsible for designing, implementing and reporting on the adequacy of the Group's risk management and internal control system. Senior management reports regularly to the Board on the Group's key risks and the extent to which it believes these risks are being managed.
Recommendation 7.3: A listed entity should disclose, if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	The Group does not have an independent internal audit function.	The Company Secretary and senior management are responsible for improving the effectiveness of the company's risk management and internal control processes which is monitored by the Board. The Company Secretary and senior management have full access to all functions, records, property and personnel of the Group in discharging their duties.
Recommendation 8.1: The Board should establish a remuneration committee.	A separate remuneration committee has not been formed.	The Board considers that the Company is not currently of a size nor are its financial affairs of such complexity to justify the formation of a remuneration committee. The Board as a whole is responsible for the remuneration arrangements for directors and executives of the Company.

As the Company's activities change in size, scope and/or nature, the Company's corporate governance principles will be reviewed by the Board and amended as appropriate. Further details of the Company's corporate governance policies and practices are available on the Company's website at www.decimal.com

ADDITIONAL ASX INFORMATION

The shareholder information set out below was applicable as at 25 September 2018.

1. Twenty largest holders of listed securities

The names of the twenty largest holders of listed securities are set out below:

	Name	Number of Ordinary Shares	Percentage of Ordinary Shares
1.	Piperlake Pty Ltd<Sertorio Family A/C>	31,937,190	10.11
2.	JP Morgan Nominees Australia Limited	28,900,000	9.15
3.	JP Morgan Nominees Australia Limited	18,672,841	5.91
4.	Mr Jamie Phillip Boyton	10,000,000	3.17
5.	Swivelthree Pty Ltd<Kolbusz Investment A/C>	9,987,433	3.16
6.	Intag Pty Ltd<The Begley Family A/C>	9,289,162	2.94
7.	Magaurite Pty Ltd<Peter Nelson Super Fund A/C>	7,400,000	2.34
8.	GP Securities Limited	7,200,000	2.28
9.	Arredo Pty Ltd	7,000,000	2.22
10.	Coast Equity Pty Ltd<The Coast Investment A/C>	6,886,895	2.18
11.	Pocry Investments Pty Ltd <Pocry Investments A/C>	6,300,000	2.00
12.	Gandria Capital Pty Ltd <the Tedblahnki Family A/C>	5,850,000	1.85
13.	First Trustee Company (NZ) Ltd <Ian Roger Moore A/C>	5,000,000	1.58
14.	Merrill Lynch (Australia) Nominees Pty Ltd	4,975,142	1.58
15.	Lynter Pty Ltd <Herfort Super Fund A/C>	4,500,000	1.43
16.	Mr Ram Shanker Kangatharan	3,600,000	1.14
17.	Darley Pty Ltd <DJW Investment A/C>	3,500,000	1.11
18.	Helmet Nominees Pty Ltd<Tim Weir Family Fund A/C>	3,101,001	0.98
19.	Mr Kevin Poon	3,080,000	0.98
20.	Australian Executor Trustees Ltd <No 1 Account>	3,003,000	0.95
Total Top 20		**180,181,664**	**57.06**
Others		**135,591,491**	**42.94**
Total Ordinary shares on issue		**315,773,155**	**100.00**

2. Restricted securities

As at the date of this report, 28,900,000 securities are in voluntary escrow until 31 January 2019.

3. Distribution of equity securities

Analysis of number of holders by size of holding:

Distribution	Number of shareholders	Number of Ordinary Shares
1 - 1,000	772	308,674
1,001 - 5,000	468	1,149,791
5,001 - 10,000	140	1,086,671
10,001 - 100,000	318	13,310,384
100,001 and over	208	299,917,635
	1,906	**315,773,155**

4. On market buy back

The number of shareholders with less than a marketable parcel is 1,571.

5. Voting rights

See Note 18 of the Notes to the Financial Statements.

6. Substantial shareholders

The number of shares held by substantial shareholders and their associates is set out below:

Name	Number of Ordinary Shares
Industry Super Holdings Pty Ltd	47,265,181
Piperlake Pty Ltd<Sertorio Family A/C>*	33,937,190

* Have multiple holdings in Decimal Software Limited

7. Unquoted securities

Holder	$0.60 unlisted options expiring 30 June 2019	$0.12 unlisted options expiring 27 Jan 2019	$0.12 unlisted options expiring 8 Sept 2019	$0.24 unlisted options expiring 8 Sept 2020
Jan Kolbusz	500,000	2,500,000	-	-
Other	166,668	500,000	-	-
Gary Cox	-	500,000	-	-
Universal Solutions	-	-	250,000	250,000
Total	**666,668**	**3,500,000**	**250,000**	**250,000**
Number of holders	**4**	**3**	**1**	**1**

Holder	$0.12 unlisted options expiring 14 June 2019	$0.24 unlisted options expiring 14 June 2020	$0.10 unlisted options expiring 24 May 2020	$0.15 unlisted options expiring 24 May 2021	$0.18 unlisted options expiring 24 May 2022
Mark Potts	666,666	666,668	-	-	-
Sue Landers	-	-	333,333	333,333	333,334
Total	**666,666**	**666,668**	**333,333**	**333,333**	**333,334**
Number of holders	**1**	**1**	**1**	**1**	**1**

Holder	$0.03 unlisted options expiring 23 April 2019	$0.04 unlisted options expiring 23 April 2020	$0.06 unlisted options expiring 23 April 2021	$0.03 unlisted options expiring 28 May 2020
Damon Watkins	8,000,000	5,000,000	2,000,000	-
Other	-	-	-	9,000,000
Total	**8,000,000**	**5,000,000**	**2,000,000**	**9,000,000**
Number of holders	**1**	**1**	**1**	**3**

As at the date of this report, there are 31,000,002 unlisted options on issue.

8. On market buy back

There is currently no on-market buy-back program for any of Decimal Software Limited's listed securities.