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## Mach7 Technologies Limited

ACN 007 817 192

and controlled entities (Mach7 Technologies Group)

### Appendix 4D and Half Year Report For the half year ended 31 December 2019

Provided to the ASX in accordance with listing rule 4.2A

Mach7 Technologies Limited  
**ASX Appendix 4D – Half Year Report**  
 FOR THE HALF YEAR ENDED 31 DECEMBER 2019

**Results for announcement to the market**

- 1 Current reporting period is 1 July 2019 to 31 December 2019  
 Previous corresponding period is 1 July 2018 to 31 December 2018

			% Change from previous corresponding period		Current reporting period \$'000
2.1	Revenues from ordinary activities	up	158%	to	9,075
2.2	Profit from ordinary activities after tax attributable to members	up	115%	to	675
2.3	Profit for the period attributable to members.	up	115%	to	675
2.4	<b>Dividends</b>				
	Interim dividend		-		-
	Final dividend		-		-

**Net Tangible Asset Backing**

		31 December 2019	30 June 2019
3	Net tangible asset backing per ordinary share	13 cents	1 cent

**Comments by directors**

Please refer to the “Operating and Financial Review” in the directors’ report for a detailed explanation and analysis of the Group’s performance for the six months ended 31 December 2019.

**Review opinion**

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

# Mach7 Technologies Limited

## Director's Report

AS AT 31 DECEMBER 2019

Your directors submit their report for the half year ended 31 December 2019 ("H1 2020"). The previous corresponding period (PCP) is 31 December 2018 ("H1 2019").

### Directors

The following persons were Directors or Company Secretary of Mach7 Technologies Limited (Company) during the whole of the six-month period ended 31 December 2019 and up to the date of this report, unless otherwise stated:

#### Director

David Chambers	Non-Executive Chairman
Damien Lim	Non-Executive Director (retired 1 January 2020)
A. Wayne Spittle	Non-Executive Director (retired 11 November 2019)
Eliot Seigel	Non-Executive Director
Robert Bazzani	Non-Executive Director (appointed 1 January 2020)
Mike Lampron	Managing Director
Jennifer Pilcher	Company Secretary, Non-executive Director for the period 11 November 2019 to 31 December 2019 (inclusive)

### Principal activities

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

### Operating and financial review

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

- Financial position
- Review of operations

#### Financial position

At 31 December 2019, the Group reported net current assets of \$22.5 million, which includes cash on hand of \$23.3 million and deferred revenue of \$3.7 million. Deferred revenue will not result in a cash outflow, but rather will be recognised as revenue in future periods. During the current reporting period, the Group raised capital of \$20 million (before transaction costs), by way of a private placement of 32.2 million shares at a share price of 62 cents per share. The Group retired all loans outstanding during the half-year and is now debt free (other than finance leases).

#### Review of operations

Revenue from continuing operations

Revenue recognised for the current reporting period was \$9.0 million (H1 2019: \$3.5 million). Revenue has risen by a substantial \$5.5 million (158%) compared to the previous corresponding period. This substantial increase is reflective of the new customer contracts signed during the current half year, including Advocate Aurora Health which accounts for most of the software revenues recognised in the half.

# Mach7 Technologies Limited

## Director's Report

AS AT 31 DECEMBER 2019

### Review of operations (continued)

Professional service (implementation, training etc) fees have increased by \$0.5 million (57%) which reflects the progress in two large installation projects, University of Vermont, and Maine Health – both of which went live on the Mach7 solution during the half. Annual recurring revenue (ARR) continues to see strong growth over the prior corresponding period (30%) which again is a direct result of new customers going “live” on the Mach7 solution which then triggers the commencement of support and maintenance fees.

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

Revenue from continuing operations	Mach7 Group	Mach7 Group	% Change
	H1 2020	H1 2019	
	6 months to	6 months to	
	31 December 2019	31 December 2018	
	\$	\$	
Software licence fees	4,989,630	542,364	820%
Professional service fees	1,371,831	874,314	57%
Annual maintenance fees	2,585,065	1,983,724	30%
Subscription, Pay-per-use	128,619	116,013	11%
<b>Revenue from continuing operations</b>	<b>9,075,145</b>	<b>3,516,415</b>	<b>158%</b>

### Expenses from operations

Operating expenditure (excluding interest expense, share-based payments expense, depreciation & amortisation) for the current reporting period was \$6.6 million (H12019: \$6.0 million). Operating expenditure has risen by \$0.6 million (10%) compared to the previous corresponding period (“PCP”) largely due to an increase in distributor fees of \$0.8 million. This increase reflects the increase in revenues described above, together with a change in our sales mix which now includes revenues from our PACS solution with our partner, Client Outlook. The table below presents the operating expenses from operations (table 2):

Operating expenses	Mach7 Group	Mach7 Group	% Change
	H1 2020	H1 2019	
	6 months to	6 months to	
	31 December 2019	31 December 2018	
	\$	\$	
Employee benefits expenses	4,488,637	4,526,608	(1%)
Corporate and professional fees	261,027	214,620	22%
Marketing expenses	314,671	461,092	(32%)
Travel and related expenses	245,021	233,399	5%
Administration, insurance and other	355,854	417,962	(15%)
Distributor expenses and license fees	910,827	138,328	558%
<b>Expenses from operations*</b>	<b>6,576,037</b>	<b>5,992,009</b>	<b>10%</b>

\*excluding interest expense, share-based payments expense, depreciation & amortisation

### Profit after tax

The Group reported a profit after tax for the half year of \$0.6 million (H12019: Loss \$4.4 million). The significant improvement in profitability of \$5.0 million is largely explained by the increase in gross profits (revenues less distributor/license fees) of \$4.8 million (142%) over the PCP.

# Mach7 Technologies Limited

## Director's Report

AS AT 31 DECEMBER 2019

### Significant events occurring after balance date

There were no significant events that occurred after 31 December 2019.

### Outlook

In March 2019, Mach7 announced an organisational restructuring together with an overarching financial goal of achieving positive free cash flow for the ensuing 12 months. As at the date of this report, the Group has met that cash flow target.

Having achieved a free cash flow positive result for the last 12 months, and raised \$20 million during the half year, the Group is now poised for growth. The strengthened balance sheet supports the addition of larger scale customer projects along with the financial springboard for growth through acquisition.

Mach7 products continue to be leading the space in the Vendor Neutral Archive (VNA) segment within the overarching Enterprise Imaging market segment which represents a US\$500M/Market. To further the reach of the Mach7 platform and to have a larger impact on Healthcare Imaging in general, Mach7 expects to expand its partnership with Client Outlook and present to the market the strongest Modular PACS system currently available.

### Significant changes in the state of affairs

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

### Auditor's independence declaration

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

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

On behalf of the directors



David Chambers

Chairman

21 February 2020

Melbourne

**RSM Australia Partners**

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**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the review of the financial report of Mach7 Technologies Limited and its controlled entities for the half year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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



**RSM AUSTRALIA PARTNERS**



**R B MIANO**  
Partner

Dated: 21 February 2020  
Melbourne, Victoria

# Mach7 Technologies Limited

## Statement of Financial Position

AS AT 31 DECEMBER 2019

CONSOLIDATED			
	Note	31 Dec 2019	30 Jun 2019
		\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	23,283,406	2,267,448
Trade and other receivables	6	1,443,660	1,886,509
Customer contract assets	7	3,255,414	1,605,371
Other current assets		217,902	173,955
<b>Total current assets</b>		<b>28,200,382</b>	<b>5,933,283</b>
<b>Non-current assets</b>			
Plant and equipment		197,365	187,432
Right-of-use assets	8	369,658	-
Investments		318,016	318,016
Customer performance bond deposit		749,123	748,377
Intangible assets		8,763,718	10,585,026
<b>Total non-current assets</b>		<b>10,397,880</b>	<b>11,838,851</b>
<b>Total assets</b>		<b>38,598,262</b>	<b>17,772,134</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		1,903,967	1,112,592
Customer contract liabilities	9	3,677,395	3,478,189
Interest bearing liabilities	10	125,690	613,489
<b>Total current liabilities</b>		<b>5,707,052</b>	<b>5,204,270</b>
<b>Non-current liabilities</b>			
Lease liabilities		251,556	-
Deferred tax liability		1,820,652	2,202,642
<b>Total non-current liabilities</b>		<b>2,072,208</b>	<b>2,202,642</b>
<b>Total liabilities</b>		<b>7,779,260</b>	<b>7,406,912</b>
<b>Net assets</b>		<b>30,819,002</b>	<b>10,365,222</b>
<b>EQUITY</b>			
Contributed equity		78,409,212	58,845,390
Reserves		3,558,893	3,343,734
Accumulated losses		(51,149,103)	(51,823,902)
<b>Total Equity</b>		<b>30,819,002</b>	<b>10,365,222</b>

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

# Mach7 Technologies Limited

## Statement of Profit and Loss and Other Comprehensive Income

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	Note	CONSOLIDATED	
		31 Dec 2019	31 Dec 2018
		\$	\$
<b>Revenue from continuing operations</b>	4	<b>9,075,145</b>	3,516,415
Other income		40,537	119,129
<b>Expenses</b>			
Employee benefits & staff related expenses		(4,746,002)	(4,526,608)
Distributor and license fees		(910,827)	(138,328)
General administration expenses		(355,854)	(417,962)
Marketing expenses		(314,671)	(461,092)
Professional fees and corporate expenses		(261,027)	(214,620)
Travel and related expenses		(245,021)	(233,399)
Other expenses		(24,447)	(254,586)
Finance costs		(34,223)	(13,999)
Depreciation and amortisation		(1,930,801)	(1,851,317)
<b>Profit / (Loss) from continuing operations before income tax</b>		<b>292,809</b>	(4,819,787)
Income tax benefit		381,990	381,990
<b>Profit / (Loss) for the year</b>		<b>674,799</b>	(4,437,797)
Other comprehensive (loss) / income – foreign currency translation		(35,860)	43,206
<b>Total comprehensive profit / (loss) for the year, net of tax, attributable to equity holders of the parent</b>		<b>638,939</b>	(4,394,591)
Earnings per share (cents per share)			
– Basic earnings/(loss) per share		<b>0.4 cents</b>	(3 cents)
– Diluted earnings/(loss) per share		<b>0.4 cents</b>	(3 cents)
Dividends per share (cents)		–	–

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



Mach7 Technologies Limited  
**Statement of Changes in Equity**  
 FOR THE HALF YEAR ENDED 31 DECEMBER 2019

Consolidated	Share Capital	Share Based Payments Reserve	Foreign Exchange Translation Reserve	Accumulated losses	Total Equity
	\$	\$	\$	\$	\$
<b>At 1 July 2018</b>	55,557,122	3,130,478	324,373	(44,765,173)	14,246,800
Loss for the half-year	-	-	-	(4,437,797)	(4,437,797)
Other comprehensive income for the year - foreign currency translation	-	-	43,206	-	43,206
<b>Total comprehensive loss for the half-year</b>	-	-	43,206	(4,437,797)	(4,394,591)
Issue of share capital	3,000,000	-	-	-	3,000,000
Transfers	278,650	(278,650)	-	-	-
Capital raising costs	(200,088)	-	-	-	(200,088)
Share based payments	-	343,420	-	-	343,420
Foreign exchange	-	(22,423)	-	-	(22,423)
<b>At 31 December 2018</b>	<b>58,635,684</b>	<b>3,172,825</b>	<b>367,579</b>	<b>(49,202,970)</b>	<b>12,973,118</b>
<b>At 1 July 2019</b>	<b>58,845,390</b>	<b>2,949,030</b>	<b>394,704</b>	<b>(51,823,902)</b>	<b>10,365,222</b>
Loss for the half-year	-	-	-	674,799	674,799
Other comprehensive income/(loss) for the year - foreign currency translation	-	-	(35,860)	-	(35,860)
<b>Total comprehensive income for the half-year</b>	-	-	(35,860)	674,799	638,939
Issue of share capital	20,000,000	-	-	-	20,000,000
Capital raising costs	(1,273,709)	-	-	-	(1,273,709)
Issues of shares upon exercise of options	837,531	-	-	-	837,531
Share based payments	-	257,365	-	-	257,365
Foreign exchange	-	(6,346)	-	-	(6,346)
<b>At 31 December 2019</b>	<b>78,409,212</b>	<b>3,200,049</b>	<b>358,844</b>	<b>(51,149,103)</b>	<b>30,819,002</b>

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

Mach7 Technologies Limited  
**Statement of Cash Flows**  
 FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	Note	CONSOLIDATED	
		31 Dec 2019	31 Dec 2018
		\$	\$
<b>Cash flows from operating activities</b>			
Receipts from customers		8,295,525	4,396,322
Payments to suppliers and employees		(5,959,098)	(6,386,319)
Interest received		15,611	15,064
Interest paid		(42,286)	-
Other receipts		-	2,681
Net cash provided by / (used in) operating activities		<b>2,309,752</b>	<b>(1,972,252)</b>
<b>Cash flows from investing activities</b>			
Payments for contract performance bonds		-	(726,246)
Payment for plant and equipment		(50,882)	(30,318)
Net cash flows used in investing activities		<b>(50,882)</b>	<b>(756,564)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issues of shares, options etc		20,837,531	3,000,000
(Repayments of) / Proceeds from borrowings		(628,337)	621,530
Finance lease repayments		(60,823)	(6,635)
Payments for capital raising costs		(1,363,709)	(200,088)
Net cash flows provided by financing activities		<b>18,784,662</b>	<b>3,414,807</b>
Net increase / (decrease) in cash and cash equivalents		<b>21,043,532</b>	<b>685,991</b>
Net foreign exchange difference relating to cash		(27,574)	13,657
Cash and cash equivalents at beginning of period		2,267,448	2,504,587
<b>Cash and cash equivalents at end of period</b>	5	<b>23,283,406</b>	<b>3,204,235</b>

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

# Mach7 Technologies Limited

## Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

### 1. CORPORATE INFORMATION

The financial report of Mach7 Technologies Limited (the "Company" or the "Parent") for the half year ended 31 December 2019 was authorised for issue in accordance with a resolution of the directors on 21 February 2020.

Mach7 Technologies Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX:M7T). The nature of the operations and principal activities of Mach7 Technologies Limited and its consolidated entities (the "Group") are described in the Directors' Report.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Preparation

The financial report is a general-purpose financial report for the interim half-year reporting period ended 31 December 2019, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134 'Interim Financial Reporting' as appropriate for for-profit entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The financial report has been prepared on a historical cost basis and is presented in Australian dollars unless otherwise stated.

These general-purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

#### New of Amended Accounting Standards and Interpretations Adopted

The Group has adopted all the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

#### AASB 16 Leases

The consolidated entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

# Mach7 Technologies Limited

## Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The impact on the financial performance and position of the consolidated entity from the adoption of AASB 16 is detailed in note 3.

#### Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

#### Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

### 3. IMPACT OF ADOPTING AASB 16 'LEASES'

AASB 16 was adopted using the modified retrospective approach whereby the right-of-use asset equals the lease liability at the point of adoption, and as such comparatives have not been restated. The following table reconciles lease commitments disclosed at 30 June 2019 to right-of-use assets:

# Mach7 Technologies Limited

## Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

### 3. IMPACT OF ADOPTING AASB 16 'LEASES' (continued)

	Consolidated
	1 July 2019
	\$
Operating lease commitments as at 1 July 2019 (AASB 117)	609,215
Change in lease commitments due to foreign exchange rates	13,775
ROU asset recognised for 2-year extension option (Malaysia lease)	32,077
Variable lease payments not capitalised under AASB16	(174,567)
Operating lease commitments discount based on weighted average incremental borrowing rates of 5% and 6% for the USA and Malaysia office leases respectively	(41,355)
Short-term leases not recognised as a right-of-use asset (AASB 16)	(2,340)
Low-value lease incentive written-off	(357)
Right-of-use assets (AASB 16) at 1 July 2019	436,448
Lease liability - current at 1 July 2019	(120,629)
Lease liability - non-current at 1 July 2019	(316,176)
Write-off low-value lease incentive	357
Movement in opening retained profits as at 1 July 2019	-

### 4. SEGMENT INFORMATION

The Mach7 Group's core business is the commercialisation and sale of medical imaging software, predominantly throughout the United States, Asia-pacific, and the Middle East region. The operational segments of the business are determined with reference to how revenue is generated, that is, from software license fees and the provision of professional services to its customers. Services provided to customers includes customer training, software installation services, and maintenance and support services.

	CONSOLIDATED	
	31 Dec 2019	31 Dec 2018
	(6 months)	(6 months)
	\$	\$
<b>Segment revenues, by major product/service line</b>		
Mach7 software license fees <sup>1</sup>	4,210,142	521,337
Third party viewer software license fees <sup>1</sup>	779,488	21,026
Subscription fees (recurring revenue) <sup>2</sup>	128,619	116,013
Software licenses (major segment)	5,118,249	658,376
Implementation & training services	737,254	281,909
Migration services	634,577	588,742
Other custom services	-	3,663
Support and maintenance fees (recurring revenue)	2,585,065	1,983,725
Professional services (major segment) <sup>2</sup>	3,956,896	2,858,039
	<b>9,075,145</b>	<b>3,516,415</b>
<b>Timing of revenue recognition</b>		
<sup>1</sup> Revenue recognised at a point in time	4,989,630	542,364
<sup>2</sup> Revenue recognised over time	4,085,515	2,974,052
	<b>9,075,145</b>	<b>3,516,415</b>

# Mach7 Technologies Limited

## Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

### 4. SEGMENT INFORMATION (continued)

	CONSOLIDATED	
	31 Dec 2019 (6 months)	31 Dec 2018 (6 months)
	\$	\$
<b>Geographical segment revenues</b>		
United States	6,939,960	2,531,007
Middle East	577,061	905,327
Asia/Pacific	1,538,769	36,705
Europe and other regions	19,355	43,376
<b>Total revenue recognised from contracts with customers</b>	<b>9,075,145</b>	<b>3,516,415</b>
<b>Segment EBITDA (Adjusted)<sup>3</sup></b>		
Software licenses	2,083,102	(1,593,750)
Professional services & maintenance services	2,098,389	744,772
	<b>4,181,491</b>	<b>(848,978)</b>
<b>Reconciliation to net loss after tax</b>		
Segment EBITDA (adjusted)	4,181,491	(848,978)
Administration and corporate expenses <sup>4</sup>	(1,701,307)	(1,756,019)
Net other income/(other expenses) not allocated to segments	35,161	-
<b>Group adjusted EBITDA</b>	<b>2,515,345</b>	<b>(2,604,997)</b>
Share based payments expense	(257,366)	(343,420)
Depreciation and amortisation expense	(1,930,801)	(1,856,200)
Finance & interest costs	(34,369)	(15,170)
Income tax benefit	381,990	381,990
<b>Net profit / (loss) after tax</b>	<b>674,799</b>	<b>(4,437,797)</b>

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The current period EBITDA has increased by \$71,477 as a result of adopting AASB16.

#### Footnotes

1. Software licenses are recognised as revenue at a single point in time - when the software is delivered to the customer. All licenses are subject to a software license agreement.
2. Professional services and maintenance services are recognised over the period of service, and are subject to a support and maintenance agreement, and usually a statement of work.
3. Segment Adjusted Earnings before Interest, Tax, Depreciation & Amortisation, and non-cash share-based payments expenses (Adjusted EBITDA).
4. Administration and corporate expenses are not allocated to a particular operating segment, but are reviewed by management separately. This category includes expenses related to corporate/head office, ASX and governance, compliance costs (audit, tax etc), certain executive management costs, and occupancy costs.

# Mach7 Technologies Limited

## Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

### 4. SEGMENT INFORMATION (continued)

	CONSOLIDATED	
	31 Dec 2019	30 Jun 2019
	\$	\$
<b>Segment assets - by product</b>		
Software licenses	3,358,545	2,536,216
Professional services & maintenance services	1,859,391	1,646,935
	<b>5,217,936</b>	<b>4,183,151</b>
<b>Reconciliation to group assets</b>		
Segment assets	5,217,936	4,183,151
Cash	23,283,406	2,267,448
Other receivables	26,263	4,381
Prepayments and deposits	421,900	226,680
Plant & equipment	197,365	187,432
Right-of-use assets	369,658	-
Intangible assets	8,763,718	10,585,026
Investments	318,016	318,016
	<b>38,598,262</b>	<b>17,772,134</b>
<b>Geographical non-current assets</b>		
United States	892,102	889,055
Asia/Pacific	54,386	46,753
	<b>946,488</b>	<b>935,808</b>
<b>Segment liabilities - by product</b>		
Software licenses	1,137,794	485,187
Professional services & maintenance services	3,630,673	3,656,200
	<b>4,768,467</b>	<b>4,141,387</b>
<b>Reconciliation to group liabilities</b>		
Segment liabilities	4,768,467	4,141,387
Trade payables & accruals not allocated	812,896	449,394
Financial liabilities - current	377,245	613,489
Non-current liabilities	1,820,652	2,202,642
Total liabilities per the balance sheet	<b>7,779,260</b>	<b>7,406,912</b>

# Mach7 Technologies Limited

## Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

### 5. CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	31 Dec 2019	30 Jun 2019
	\$	\$
Cash at bank and on hand	3,458,235	952,455
Cash on deposit (< 3-month terms)	19,825,171	1,314,993
	<b>23,283,406</b>	<b>2,267,448</b>

### 6. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	31 Dec 2019	30 Jun 2019
	\$	\$
Trade receivables	1,381,837	1,999,688
Less allowances for expected credit loss	(170,485)	(170,283)
Other receivables	103,837	46,470
GST receivable	102,208	6,252
Interest receivable	26,263	4,381
	<b>1,443,660</b>	<b>1,886,509</b>

### 7. CUSTOMER CONTRACT ASSETS

	CONSOLIDATED	
	31 Dec 2019	30 Jun 2019
	\$	\$
Accrued revenue	3,061,872	1,475,886
Deferred sales commission	193,542	129,485
	<b>3,255,414</b>	<b>1,605,371</b>

### 8. RIGHT-OF-USE ASSETS

	CONSOLIDATED	
	31 Dec 2019	30 Jun 2019
	\$	\$
Land and buildings	436,448	-
Less accumulated depreciation	(66,790)	-
	<b>369,658</b>	<b>-</b>

The consolidated entity leases land and buildings for its offices in Vermont (USA) and Johor (Malaysia). The Vermont lease commenced 1 August 2014 for an initial term of five years, with an annual rental increase of 2%. This lease was renewed for a further three years on 1 August 2019 with annual increases of 0%, 4% and 6% for each year respectively. The Johor lease commenced 1 June 2019, for a term of three years, with an option to renew for a further two years. On renewal, the terms of the Johor lease will be renegotiated.



# Mach7 Technologies Limited

## Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

### 9. CUSTOMER CONTRACT LIABILITIES

	CONSOLIDATED	
	31 Dec 2019	30 Jun 2019
	\$	\$
Software maintenance support services (i)	2,589,413	2,235,170
Professional services (ii)	1,087,982	1,243,019
	<b>3,677,395</b>	<b>3,478,189</b>

Terms and conditions relating to the above financial instruments:

- (i) Software maintenance support services represents annual maintenance contracts where payment has been received by the customer in advance (typically customers are billed annually in advance) but the support services are yet to be provided.
- (ii) Professional services are where payment has been received in advance for installation and training services.

### 10. INTEREST-BEARING LIABILITIES

	CONSOLIDATED	
	31 Dec 2019	30 Jun 2019
	\$	\$
Loans (i)	-	606,017
Interest payable on loan (i)	-	7,472
Lease liabilities (current) (ii)	125,690	-
	<b>125,690</b>	<b>613,489</b>

- (i) The loan was obtained from private lenders, including Directors, to fund a customer contract performance bond. The loan, together with interest owing, was repaid on 15 November 2019.
- (ii) The lease liability relates to right-of-use property that has been capitalised in accordance with AASB16. In addition to this amount, an amount of \$251,556 (2019: nil) is recorded as a non-current lease liability.

### 11. FAIR VALUE MEASUREMENT

The carrying amounts of trade and other receivables, trade and other payables, and customer contract liabilities approximate their fair values at reporting date due to their short-term nature. Investments valued at fair value through other comprehensive income are categorized as level 3 within the fair value hierarchy and the Directors have concluded that cost is the best approximation of its fair value at 31 December 2019.

### 12. RELATED PARTIES

During the half-year, there were no related party balances or transactions.

### 13. CONTINGENT LIABILITIES

There are no contingent liabilities for the period ended 31 December 2019.

### 14. SUBSEQUENT EVENTS

The Company is not aware of any subsequent events that have occurred since 31 December 2019 that may materially affect the financial information in this report.

## DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



David Chambers  
Chairman  
21 February 2020  
Melbourne

**RSM Australia Partners**

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**INDEPENDENT AUDITOR'S REVIEW REPORT**

**TO THE MEMBERS OF**

**MACH7 TECHNOLOGIES LIMITED**

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

We have reviewed the accompanying half-year financial report of Mach7 Technologies Limited and its controlled entities ("the consolidated entity") which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

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

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Mach7 Technologies Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### *Independence*

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

### *Conclusion*

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



**RSM AUSTRALIA PARTNERS**



**R B MIANO**  
Partner

Dated: 21 February 2020  
Melbourne, Victoria