

Mach7 Technologies Limited
Appendix 4D
Half-year report

1. Company details

Name of entity: Mach7 Technologies Limited
ABN: 26 007 817 192
Reporting period: For the half-year ended 31 December 2021
Previous period: For the half-year ended 31 December 2020

2. Results for announcement to the market

			\$
Revenues from ordinary activities	up	102.0% to	14,338,228
Loss from ordinary activities after tax attributable to the owners of Mach7 Technologies Limited	down	94.2% to	(419,142)
Loss for the half-year attributable to the owners of Mach7 Technologies Limited	down	94.2% to	(419,142)

Dividends

There were no dividends paid, recommended or declared during the current financial period.

Comments

The loss for the company after providing for income tax amounted to \$419,142 (31 December 2020: \$7,173,986).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>9.80</u>	<u>7.00</u>

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

There were no dividends paid, recommended or declared during the current financial period.

Previous period

There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):


The financial statements were subject to a review by the auditors and the review report is attached as part of the Half Year Report.

11. Attachments

Details of attachments (if any):

The Half Year Report of Mach7 Technologies Limited for the half-year ended 31 December 2021 is attached.

12. Signed

Signed  _____

David Chambers
Chairman
Melbourne

Date: 25 February 2022

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Mach7 Technologies Limited

ABN 26 007 817 192

Half Year Report - 31 December 2021

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Mach7 Technologies Limited
Directors' report
31 December 2021

The directors present their report, together with the financial statements, on the company for the half-year ended 31 December 2021.

Directors

The following persons were Directors of the Company during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Mr David Chambers - Chairman
 Mr Eliot Seigel, MD - Non-Executive Director
 Mr Robert Bazzani - Non-Executive Director
 Mr Philippe Houssiau - Non-Executive Director
 Mr Michael Lampron - Chief Executive Officer

Principal activities

The principal activity of the Company is the development and commercialisation of medical imaging and data management software solutions for global healthcare enterprises.

Operating and financial review

Financial position

At 31 December 2021, the Group reported net current assets of \$21.49 million (30 June 2021: \$16.90 million), which includes cash on hand of \$20.25 million (30 June 2021: \$18.36 million) and deferred revenue of \$6.70 million (30 June 2021: \$5.58 million). Deferred revenue will not result in a cash outflow (and hence does not affect liquidity of the Group), but rather will be recognised as revenue in the profit and loss in future periods.

Review of operations

Revenue from continuing operations

Revenue recognised for the current reporting period was \$14.3 million (half-year 31 December 2020: \$7.0 million). Group revenue has increased by \$7.2 million (102%) compared to the previous corresponding period ("PCP"). Recurring revenue for the half-year was \$6.5 million which is comprised of Subscription revenue and Support & Maintenance revenue. Software license fee revenue was \$6.7 million for the half-year which represents capital software deals that are generally contracted over a 5-year term. On another positive note, the Group has reported a record \$22.1million of sales orders (total contract value) for this half-year, of which \$16.1 million occurred in the first quarter, and \$5.9 million occurred in the second quarter. Sales orders are an indication of strong future revenue streams across all products and services.

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

	31 December 2021 \$	31 December 2020 \$	Change \$	Change %
Subscription revenue*	2,382,381	1,709,513	672,868	39%
Support and maintenance revenue	4,109,060	3,389,711	719,349	21%
Total recurring revenue	<u>6,491,441</u>	<u>5,099,224</u>	<u>1,392,217</u>	<u>27%</u>
Software licenses*	6,703,978	1,226,631	5,477,347	447%
Service revenues**	<u>1,142,809</u>	<u>771,888</u>	<u>370,921</u>	<u>48%</u>
Total	<u><u>14,338,228</u></u>	<u><u>7,097,743</u></u>	<u><u>7,240,485</u></u>	<u><u>102%</u></u>

*Subscription and software licences revenue above comprises the total software licenses amounting to \$9,086,359 as disclosed in note 4 to these financial statements.

**Represents combination of implementation & training services, migration services and other custom services disclosed in note 4 to these financial statements.

Mach7 Technologies Limited
Directors' report
31 December 2021

Expenses from operations

Operating expenditure (excluding interest expense, share-based payments expense, unrealised foreign exchange losses, one-off integration costs, and depreciation & amortisation) for the current reporting period was \$10.7 million (half-year 31 December 2020: \$8.3 million), an increase of \$ 2.4 million (29%).

The table below presents the operating expenses from operations (table 2):

	31 December 2021 \$	31 December 2020 \$	Change \$	Change %
Employee salary and benefits expenses	8,188,325	7,024,183	1,164,142	17%
Corporate and professional fees	520,796	735,205	(214,409)	(29%)
Marketing expenses	467,305	60,435	406,870	673%
Travel and related expenses	228,525	17,246	211,279	1225%
Administration, insurance and other	771,617	645,201	126,416	20%
Distributor expenses and license fees	519,282	349,800	169,482	48%
Less: One-off acquisition / integration costs	-	(531,947)	531,947	(100%)
Total operating expenditure (excluding integration costs)*	10,695,850	8,300,123	2,395,727	29%

* excluding interest expense, unrealised foreign exchange losses, share-based payments expense, one-off integration costs and depreciation & amortisation.

Profitability

The Group has reported an EBITDA (on an adjusted basis) of \$3.6 million for the half-year (half-year 31 December 2020: loss of 1.2 million). The increase in EBITDA (adjusted) is due to a significant increase in revenue (up 102% from PCP) with a less significant increase in operating expenditure (up 29% from PCP). This is set out in the table below:

	31 December 2021 \$	31 December 2020 \$	Change \$	Change %
Revenue from continuing operations	14,338,228	7,097,743	7,240,485	102%
Operating expenditure (excluding integration costs below)	(10,695,850)	(8,300,123)	(2,395,727)	29%
Other income/expenses (net)	(68,471)	31,405	(99,876)	(318%)
EBITDA Adjusted*	3,573,907	(1,170,975)	4,744,882	405%
Unrealised foreign exchange loss	48,127	(977,416)	1,025,543	(105%)
One-off acquisition / integration costs	-	(531,947)	531,947	(100%)
Share-based payments expense (non-cash)	(568,951)	(554,951)	(14,000)	3%
Interest expense (finance leases)	(21,281)	(26,492)	5,211	(20%)
Depreciation and amortisation charges (non-cash)	(4,529,066)	(5,094,842)	565,776	(11%)
Income tax benefit (non-cash)	1,078,122	1,182,637	(104,515)	(9%)
Loss for the half-year	(419,142)	(7,173,986)	6,754,844	94%

* Adjusted EBITDA (Earnings Before Interest, Tax, Depreciation, Amortisation) is EBITDA adjusted for unrealised foreign exchange, one-off integration costs and non-cash item share-based payments expense

Matters subsequent to the end of the financial half-year

No matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Contingent liability

Mach7 Technologies, Inc. a wholly-owned subsidiary of Mach7 Technologies Limited received a patent infringement claim from AI Visualize. Management believes that the claim is highly unlikely to be successful. A motion to dismiss the case has been filed with the timing of the decision unknown.

Mach7 Technologies Limited
Directors' report
31 December 2021

Outlook

Mach7 award-winning products are uniquely positioned to service the data management and enterprise imaging needs of healthcare organisations by providing connectivity and inter-operability throughout the enterprise and 24/7 access to the patient medical record.

Mach 7 has grown in both market share and brand recognition and has continued to thrive in the post-COVID environment. The Healthcare Industry has become dependent upon technology to enable their clinicians to continue work outside the walls of the hospital. The continual consolidation of healthcare enterprises with strong merger & acquisition activity in the healthcare sector, along with the ongoing mission of healthcare organizations to maintain and improve their technology systems, continues to create strong demand for Mach7.

Mach7 has seen an increase in opportunity to provide solutions to a larger global customer base in a high-growth industry. This increase in demand will translate to further growth and will build upon the record sales orders achieved this half-year. The business continues to experience an increase in momentum and uptick of inbound RFP's and sales opportunities, and the organic growth and expansion plans of our existing global customer base continues to be very positive.

Mach7 is uniquely positioned to capitalise on these opportunities and execute on a global scale as a market leader in the enterprise imaging and data management space. The Director's are confident and optimistic about the company's future and the ability to disrupt and secure market share from competitors.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Company 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 immediately after this Directors' Report.

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

On behalf of the Directors



David Chambers
Chairman

25 February 2022

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 2021, 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



M PARAMESWARAN
Partner

Melbourne, Victoria
Dated: 25 February 2022

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Mach7 Technologies Limited
Contents
31 December 2021

Statement of profit or loss and other comprehensive income	6
Statement of financial position	7
Statement of changes in equity	8
Statement of cash flows	9
Notes to the financial statements	10
Directors' declaration	16
Independent auditor's review report to the members of Mach7 Technologies Limited	17

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Mach7 Technologies Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2021

	Note	31 December 2021 \$	31 December 2020 \$
Revenue from contracts with customers	4	14,338,228	7,097,743
Other income		16,025	207,161
Expenses			
Employee salary, benefits & staff related expenses		(8,757,276)	(7,579,134)
Depreciation and amortisation expense		(4,529,066)	(5,094,842)
General administration expenses		(771,617)	(645,201)
Professional fees and corporate expenses		(520,796)	(735,205)
Distributor and license fees		(519,282)	(349,800)
Marketing		(467,305)	(60,435)
Travel and related expenses		(228,525)	(17,246)
Finance costs		(21,281)	(26,492)
Foreign exchange gain/(losses)		48,127	(1,147,381)
Other expenses		(84,496)	(5,791)
Loss before income tax benefit		(1,497,264)	(8,356,623)
Income tax benefit		1,078,122	1,182,637
Loss after income tax benefit for the half-year attributable to the owners of Mach7 Technologies Limited		(419,142)	(7,173,986)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		654,645	(1,691,070)
Other comprehensive income for the half-year, net of tax		654,645	(1,691,070)
Total comprehensive income for the half-year attributable to the owners of Mach7 Technologies Limited		<u>235,503</u>	<u>(8,865,056)</u>
		Cents	Cents
Basic earnings per share	5	(0.2)	(3.1)
Diluted earnings per share	5	(0.2)	(3.1)

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

Mach7 Technologies Limited
Statement of financial position
As at 31 December 2021

	Note	31 December 2021 \$	30 June 2021 \$
Assets			
Current assets			
Cash and cash equivalents		20,255,338	18,363,398
Trade and other receivables	6	3,145,695	2,069,606
Contract assets		5,606,301	3,440,027
Other current assets		828,468	529,981
Total current assets		<u>29,835,802</u>	<u>24,403,012</u>
Non-current assets			
Property, plant and equipment		414,370	419,896
Right-of-use assets		900,195	1,032,478
Intangibles	7	45,957,350	49,862,650
Deferred tax		557,058	552,694
Other		723,312	698,105
Total non-current assets		<u>48,552,285</u>	<u>52,565,823</u>
Total assets		<u>78,388,087</u>	<u>76,968,835</u>
Liabilities			
Current liabilities			
Trade and other payables		1,412,449	1,640,016
Contract liabilities	8	6,700,215	5,580,346
Lease liabilities		235,917	274,111
Total current liabilities		<u>8,348,581</u>	<u>7,494,473</u>
Non-current liabilities			
Lease liabilities		718,564	804,017
Deferred tax	9	9,760,052	10,756,055
Total non-current liabilities		<u>10,478,616</u>	<u>11,560,072</u>
Total liabilities		<u>18,827,197</u>	<u>19,054,545</u>
Net assets		<u>59,560,890</u>	<u>57,914,290</u>
Equity			
Issued capital		115,103,460	113,746,239
Reserves		6,206,393	5,497,872
Accumulated losses		(61,748,963)	(61,329,821)
Total equity		<u>59,560,890</u>	<u>57,914,290</u>

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

Mach7 Technologies Limited
Statement of changes in equity
For the half-year ended 31 December 2021

	Issued capital \$	Share Based Payments Reserve \$	Foreign Exchange Translation Reserve \$	Accumulate d Losses \$	Total equity \$
Balance at 1 July 2020	101,791,997	3,483,810	163,546	(51,972,625)	53,466,728
Loss after income tax benefit for the half-year	-	-	-	(7,173,986)	(7,173,986)
Other comprehensive income for the half-year, net of tax	-	-	(1,691,070)	-	(1,691,070)
Total comprehensive income for the half-year	-	-	(1,691,070)	(7,173,986)	(8,865,056)
<i>Transactions with owners in their capacity as owners:</i>					
Issue of share capital	11,420,497	-	-	-	11,420,497
Capital raising costs	(518,850)	-	-	-	(518,850)
Share-based payments	96,664	458,287	-	-	554,951
Issue of shares upon option exercises	58,344	-	-	-	58,344
Foreign exchange movements	-	15,817	-	-	15,817
Balance at 31 December 2020	<u>112,848,652</u>	<u>3,957,914</u>	<u>(1,527,524)</u>	<u>(59,146,611)</u>	<u>56,132,431</u>

	Issued capital \$	Share Based Payments Reserve \$	Foreign Exchange Translation Reserve \$	Accumulated Losses \$	Total equity \$
Balance at 1 July 2021	113,746,239	4,978,917	518,955	(61,329,821)	57,914,290
Loss after income tax benefit for the half-year	-	-	-	(419,142)	(419,142)
Other comprehensive income for the half-year, net of tax	-	-	654,645	-	654,645
Total comprehensive income for the half-year	-	-	654,645	(419,142)	235,503
<i>Transactions with owners in their capacity as owners:</i>					
Issues of shares upon exercise of options	1,357,221	(515,075)	-	-	842,146
Share based payments	-	568,951	-	-	568,951
Balance at 31 December 2021	<u>115,103,460</u>	<u>5,032,793</u>	<u>1,173,600</u>	<u>(61,748,963)</u>	<u>59,560,890</u>

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 2021

	31 December 2021	31 December 2020
	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	11,990,037	8,004,619
Payments to suppliers and employees (inclusive of GST)	<u>(10,862,829)</u>	<u>(10,729,138)</u>
	1,127,208	(2,724,519)
Interest received	10,581	67,368
Interest and other finance costs paid	(17,431)	(26,491)
Other receipts	<u>-</u>	<u>565,101</u>
Net cash from/(used in) operating activities	<u>1,120,358</u>	<u>(2,118,541)</u>
Cash flows from investing activities		
Payment for purchase of business, net of cash acquired	-	(42,232,017)
Payments for property, plant and equipment	<u>(84,711)</u>	<u>(85,497)</u>
Net cash used in investing activities	<u>(84,711)</u>	<u>(42,317,514)</u>
Cash flows from financing activities		
Proceeds from issue of shares	614,492	11,478,841
Share issue transaction costs	-	(499,766)
Repayment of lease liabilities	<u>(107,228)</u>	<u>(27,763)</u>
Net cash from financing activities	<u>507,264</u>	<u>10,951,312</u>
Net increase/(decrease) in cash and cash equivalents	1,542,911	(33,484,743)
Cash and cash equivalents at the beginning of the financial half-year	18,363,398	48,874,210
Effects of exchange rate changes on cash and cash equivalents	<u>349,029</u>	<u>(962,627)</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>20,255,338</u></u>	<u><u>14,426,840</u></u>

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

Note 1. Corporate information

The financial report of Mach7 Technologies Limited (the “Company” or the “Parent”) for the half-year ended 31 December 2021 was authorised for issue in accordance with a resolution of the Directors on **25 February 2022**.

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.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001 (Cth), as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

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 2021 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, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Company has adopted all of 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.

Note 3. Operating segments

Description of segments and principal activities

Mach7 Technologies is a medical imaging systems provider that develops innovative image management and viewing solutions for healthcare organizations globally. Primary business territories include North America, Asia-Pacific and the Middle East Regions. The Group's performance is monitored and reported for one main segment, which is enterprise imaging. In addition, revenue is monitored at a regional and product/services level. This information is presented in Note 4.

As disclosed in the 30 June 2021 Annual Report, management's assessment of reportable segments has changed due to internal restructuring following the acquisition of Client Outlook. Consequently, the segment disclosure for the current period has changed from prior period, and prior period comparatives have been restated accordingly, to reflect the current manner of internal reporting to the Directors and CEO.

Profit or Loss

The Group's profit and loss is managed as a whole and is the same as what is presented in the statement of financial performance and other comprehensive income. In addition, management and the directors monitor Gross Margins, Earnings Before Interest, Tax and Depreciation (EBITDA), and EBITDA adjusted for non-cash items. This is presented below:

	31 December 2021	31 December 2020
	\$	\$
Revenue from continuing operations	14,338,228	7,097,743
Third-party licenses	(519,282)	(349,800)
Gross Margin	13,818,946	6,747,943
Operating expenditure	(10,176,568)	(7,950,324)
Other income/expenses (net)	(68,471)	31,406
EBITDA - before the following items:	3,573,907	(1,170,975)
Share-based payments expense (non-cash)	(568,951)	(554,951)
Foreign exchange (losses)/gains - unrealised	48,127	(977,416)
One-off restructuring and business integration costs	-	(531,947)
EBITDA	3,053,083	(3,235,289)
Depreciation and amortisation expense	(4,529,066)	(5,094,842)
Finance cost	(21,281)	(26,492)
Income tax benefit	1,078,122	1,182,637
Net loss after tax	(419,142)	(7,173,986)

Segment assets and liabilities

The Group's chief decision makers review and monitor assets and liabilities as a whole.

Geographical non-current assets

	31 December 2021	30 June 2021
	\$	\$
North America	2,537,126	2,629,819
Asia	57,809	73,354
	2,594,935	2,703,173

Note 4. Revenue from contracts with customers

Disaggregation of revenue from contracts with customers

Mach7 is a global provider of medical imaging software solutions. Every software sale, or provision of services, is subject to a software license agreement and/or a statement of work. The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical regions:

	31 December 2021	31 December 2020
	\$	\$
Software licenses (major segment)	9,086,359	2,936,144
Implementation & training services	760,057	573,140
Migration services	364,355	192,585
Other custom services	18,397	6,163
Support and maintenance fees (recurring revenue)	4,109,060	3,389,711
	<u>14,338,228</u>	<u>7,097,743</u>
Geographical segment revenues		
North America	12,153,827	5,889,483
Middle East	483,779	559,386
Asia/Pacific	1,648,245	616,126
Europe and other regions	52,377	32,748
	<u>14,338,228</u>	<u>7,097,743</u>
Timing of revenue recognition		
Revenue recognised at a point in time	6,703,979	1,226,630
Revenue recognised over time	7,634,249	5,871,113
	<u>14,338,228</u>	<u>7,097,743</u>

Note 5. Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the net loss for the half-year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the half-year. The income and share data used in the calculations of basic and diluted EPS is as follows:

	31 December 2021	31 December 2020
	\$	\$
Loss after income tax attributable to the owners of Mach7 Technologies Limited	<u>(419,142)</u>	<u>(7,173,986)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>236,917,128</u>	<u>234,229,787</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>236,917,128</u>	<u>234,229,787</u>
	Cents	Cents
Basic earnings per share	(0.2)	(3.1)
Diluted earnings per share	(0.2)	(3.1)

Mach7 Technologies Limited
Notes to the financial statements
31 December 2021

Note 6. Current assets - trade and other receivables

	31 December 2021 \$	30 June 2021 \$
Trade receivables	3,338,012	2,414,061
Less allowances for expected credit loss	<u>(490,275)</u>	<u>(421,172)</u>
	2,847,737	1,992,889
Interest receivable	2,622	2,576
GST receivable	<u>6,087</u>	<u>8,459</u>
	8,709	11,035
Other receivables	<u>289,249</u>	<u>65,682</u>
	<u><u>3,145,695</u></u>	<u><u>2,069,606</u></u>

Note 7. Non-current assets - intangibles

	31 December 2021 \$	30 June 2021 \$
Goodwill - at cost	<u>4,132,228</u>	<u>4,099,854</u>
Patents and trademarks - at cost	1,003,755	991,780
Less: Accumulated amortisation	<u>(792,811)</u>	<u>(729,171)</u>
	210,944	262,609
Customer contracts - at cost	11,512,261	11,491,206
Less: Accumulated amortisation	<u>(9,612,229)</u>	<u>(9,339,416)</u>
	1,900,032	2,151,790
Software - at cost	56,059,131	55,733,272
Less: Accumulated amortisation	<u>(20,962,098)</u>	<u>(17,062,821)</u>
	35,097,033	38,670,451
Brand Names - at cost	5,937,233	5,902,924
Less: Accumulated amortisation	<u>(1,320,120)</u>	<u>(1,224,978)</u>
	4,617,113	4,677,946
	<u><u>45,957,350</u></u>	<u><u>49,862,650</u></u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

	Patents	Customer	Brand	Software	Goodwill	
	\$	Contracts	Names	Intellectual	\$	Total
	\$	\$	\$	Property	\$	\$
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2021	262,609	2,151,790	4,677,946	38,670,451	4,099,854	49,862,650
Foreign exchange	2,881	17,984	34,309	291,899	32,374	379,447
Amortisation expense	<u>(54,546)</u>	<u>(269,742)</u>	<u>(95,142)</u>	<u>(3,865,317)</u>	-	<u>(4,284,747)</u>
Balance at 31 December 2021	<u><u>210,944</u></u>	<u><u>1,900,032</u></u>	<u><u>4,617,113</u></u>	<u><u>35,097,033</u></u>	<u><u>4,132,228</u></u>	<u><u>45,957,350</u></u>

Note 8. Current liabilities - contract liabilities

	31 December 2021 \$	30 June 2021 \$
Annual support and maintenance fees received in advance	3,146,435	3,940,689
Professional service fees received in advance	2,645,724	779,846
Subscription fees received in advance	156,216	857,815
Software license fees received in advance	751,840	1,996
	<u>6,700,215</u>	<u>5,580,346</u>

Terms and conditions relating to the above financial instruments:

The Group typically invoices its customers for its services and subscription fees in advance of the services being delivered, or in advance of the license period in the case of subscriptions. On a rare occasion, the Group will receive payment for software before it has been installed and recognised.

Note 9. Non-current liabilities - deferred tax

	31 December 2021 \$	30 June 2021 \$
Deferred tax liability	<u>9,760,052</u>	<u>10,756,055</u>
<i>Movements:</i>		
Opening balance	10,756,055	1,438,662
Additions through business combinations	-	11,479,968
Amortisation credit for the period	(1,078,122)	(2,277,646)
Foreign exchange differences	82,119	115,071
Closing balance	<u>9,760,052</u>	<u>10,756,055</u>

The Singapore tax losses of \$4,058,407 are currently the subject of a ministerial waiver application to the Tax Comptroller in Singapore which the Company is in the process of preparing. This application is required due to a change in control, and as the change of control was not for the purposes of achieving a tax advantage, the Directors are of the opinion that the ministerial waiver will be granted. Should the application be unsuccessful, the Group will have taxes payable of an estimated \$399,591 and there will be no losses available to carry forward to future years.

Note 10. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Note 11. Related party transactions

Parent entity

Mach7 Technologies Limited is the parent entity.

Transactions with related parties

There were no transactions with related parties during the current and previous financial half-year.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Note 12. Events after the reporting period

No matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Note 13. Contingent liability

Mach7 Technologies, Inc. a wholly-owned subsidiary of Mach7 Technologies Limited received a patent infringement claim from AI Visualize. Management believes that the claim is highly unlikely to be successful. A motion to dismiss the case has been filed with the timing of the decision unknown.

For personal use only

Mach7 Technologies Limited
Directors' declaration
31 December 2021

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001 (Cth), 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 Company's financial position as at 31 December 2021 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 (Cth).

On behalf of the Directors



David Chambers
Chairman

25 February 2022

RSM Australia Partners

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the Members of Mach7 Technologies Limited

Conclusion

We have reviewed the accompanying half-year financial report of Mach7 Technologies Limited ("Company") and its controlled entities ("Group") which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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.

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 Group's financial position as at 31 December 2021 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*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company 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 (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Responsibility of the Directors' for the Financial Report

The directors of the Company 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 for the Review of the Financial Report

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 Group's financial position as at 31 December 2021 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*.

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.



RSM AUSTRALIA PARTNERS



M PARAMESWARAN

Partner

Melbourne, Victoria

Dated: 25 February 2022