

**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 2022  
Previous period: For the half-year ended 31 December 2021

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**2. Results for announcement to the market**

			\$
Revenues from ordinary activities	up	14.5% to	16,412,740
Loss from ordinary activities after tax attributable to the owners of Mach7 Technologies Limited	down	68.9% to	(130,371)
Loss for the half-year attributable to the owners of Mach7 Technologies Limited	down	68.9% to	(130,371)

*Dividends*

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

*Comments*

The loss for the consolidated entity after providing for income tax amounted to \$130,371 (31 December 2021: \$419,142).

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**3. Net tangible assets**

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>8.22</u>	<u>9.80</u>

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**4. Control gained over entities**

Not applicable.

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**5. Loss of control over entities**

Not applicable.

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**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.

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**7. Dividend reinvestment plans**

Not applicable.

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**8. Details of associates and joint venture entities**

Not applicable.

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**9. Foreign entities**

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

Not applicable.

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**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.

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**11. Attachments**

*Details of attachments (if any):*

The Half Year Report of Mach7 Technologies Limited for the half-year ended 31 December 2022 is attached.

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**12. Signed**



Signed \_\_\_\_\_

Date: 28 February 2023

David Chambers  
Chairman  
Melbourne

# **Mach7 Technologies Limited**

**ABN 26 007 817 192**

**Half Year Report - 31 December 2022**

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**Mach7 Technologies Limited**  
**Directors' report**  
**31 December 2022**

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Mach7 Technologies Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2022.

**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 - Independent Non-Executive Director  
 Mr Robert Bazzani - Independent Non-Executive Director  
 Mr Philippe Houssiau - Independent Non-Executive Director  
 Mr Michael Lampron - Managing Director and 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 2022, the Group reported net current assets of \$20.37 million (30 June 2022: \$21.81 million), which includes cash on hand of \$20.60 million (30 June 2022: \$25.75 million) and deferred revenue of \$7.41 million (30 June 2022: \$7.03 million).

**Review of operations**

*Revenue from continuing operations*

Revenue recognised for the current reporting period was \$16.41 million (half-year 31 December 2021: \$14.34 million). Group revenue has increased by \$2.07 million (14%) compared to the previous corresponding period ("PCP"). Recurring revenue for the half-year was \$8.16 million which is comprised of Subscription revenue and Support & Maintenance revenue. Software license fee revenue was \$7.15 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 \$25.8 million of sales orders (total contract value) for this half-year, of which \$3.4 million occurred in the first quarter, and \$22.4 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):

	<b>31 December 2022</b>	<b>31 December 2021</b>	<b>Change</b>	<b>Change</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>%</b>
Subscription revenue*	3,201,485	2,382,381	819,104	34%
Support and maintenance revenue	4,959,543	4,109,060	850,483	21%
<b>Total recurring revenue</b>	<b>8,161,028</b>	<b>6,491,441</b>	<b>1,669,587</b>	<b>26%</b>
Software license revenue*	7,150,020	6,703,978	446,042	7%
Professional service revenue**	1,101,692	1,142,809	(41,117)	(4%)
	<b>16,412,740</b>	<b>14,338,228</b>	<b>2,074,512</b>	<b>14%</b>

\* Subscription and software licence revenue above comprises the total software license revenue amounting to \$10,351,505 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 2022**

**Expenses from operations**

Operating expenditure (excluding Right-of-use lease liability interest expense, share-based payments expense, foreign exchange gains, and depreciation & amortisation) for the current reporting period was \$13.3 million (half-year 31 December 2021: \$10.7 million), an increase of \$ 2.6 million (up 24% from PCP).

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

	<b>31 December 2022</b>	<b>31 December 2021</b>	<b>Change</b>	<b>Change</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>%</b>
Employee salary and benefits expenses	9,963,756	8,188,325	1,775,431	22%
Professional fees and corporate expenses	841,880	520,796	321,084	62%
Marketing expenses	583,091	467,305	115,786	25%
Travel and related expenses	615,615	228,525	387,090	169%
General administration and office expenses	969,459	771,617	197,842	26%
Distributor and license fees	325,255	519,282	(194,027)	(37%)
	<u>13,299,056</u>	<u>10,695,850</u>	<u>2,603,206</u>	24%

\* excluding Right-of-use lease liability interest expense, share-based payments expense, foreign exchange gains and depreciation & amortisation.

**Profitability**

The Group has reported an EBITDA (on an adjusted basis) of \$3.07 million for the half-year (half-year 31 December 2021: \$3.57 million). The decrease in EBITDA (adjusted) is due to an increase in revenue (up 14% from PCP) with a higher increase in operating expenditure (up 24% from PCP). This is set out in the table below:

	<b>31 December 2022</b>	<b>31 December 2021</b>	<b>Change</b>	<b>Change</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>%</b>
Revenue from continuing operations	16,412,740	14,338,228	2,074,512	14%
Operating expenditure	(13,299,056)	(10,695,850)	(2,603,206)	24%
Other income/expenses (net)	(45,231)	(68,471)	23,240	(34%)
<b>EBITDA Adjusted*</b>	<b>3,068,453</b>	<b>3,573,907</b>	<b>(505,454)</b>	<b>(14%)</b>
Foreign exchange gains	111,603	48,127	63,476	132%
Share-based payments expense (non-cash)	262,828	(568,951)	831,779	(146%)
Right-of-use lease liability interest expense	(35,287)	(21,281)	(14,006)	66%
Depreciation and amortisation (non-cash)	(4,610,600)	(4,529,066)	(81,534)	2%
Income tax benefit (non-cash)	1,072,632	1,078,122	(5,490)	(1%)
<b>Loss for the half-year</b>	<b>(130,371)</b>	<b>(419,142)</b>	<b>288,771</b>	<b>(69%)</b>

\* Adjusted EBITDA (Earnings Before Interest, Tax, Depreciation, Amortisation) is EBITDA adjusted for foreign exchange 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 2022 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity'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. This case was dismissed by the Federal Court and subsequently AI Visualize filed an appeal. The appeal is in process and Management believes that the claim is highly unlikely to be successful in the US court of appeals. Timing for the case has yet to be set.

**Mach7 Technologies Limited**  
**Directors' report**  
**31 December 2022**

**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 imaging component of 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 a shift towards outpatient (ambulatory) care and imaging diagnosis continues to compliment the core strengths of the company.

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 an excellent first half of the year in sales orders achieved. We are starting to see more organic growth and expansion plans of our existing global customer base.

**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



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David Chambers  
Chairman

28 February 2023

**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 2022, 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: 28 February 2023

**Mach7 Technologies Limited**  
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**31 December 2022**

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**Mach7 Technologies Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the half-year ended 31 December 2022**

		<b>Consolidated</b>	
	<b>Note</b>	<b>31 December 2022</b>	<b>31 December 2021</b>
		<b>\$</b>	<b>\$</b>
<b>Revenue from contracts with customers</b>	4	16,412,740	14,338,228
Other income		55,409	16,025
<b>Expenses</b>			
General administration and office expenses		(969,459)	(771,617)
Professional fees and corporate expenses		(841,880)	(520,796)
Distributor and license fees		(325,255)	(519,282)
Marketing expenses		(583,091)	(467,305)
Foreign exchange gains		111,603	48,127
Depreciation and amortisation		(4,610,600)	(4,529,066)
Employee salary, benefits & staff related expenses		(9,700,928)	(8,757,276)
Other expenses		(135,927)	(105,777)
Travel and related expense		(615,615)	(228,525)
<b>Loss before income tax benefit</b>		(1,203,003)	(1,497,264)
Income tax benefit		1,072,632	1,078,122
<b>Loss after income tax benefit for the half-year attributable to the owners of Mach7 Technologies Limited</b>		(130,371)	(419,142)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(794,271)	654,645
Other comprehensive income for the half-year, net of tax		(794,271)	654,645
<b>Total comprehensive income for the half-year attributable to the owners of Mach7 Technologies Limited</b>		(924,642)	235,503
		<b>Cents</b>	<b>Cents</b>
Basic and diluted earnings per share	5	(0.1)	(0.2)

*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 2022**

		<b>Consolidated</b>	
		<b>31 December</b>	
	<b>Note</b>	<b>2022</b>	<b>30 June 2022</b>
		<b>\$</b>	<b>\$</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		20,604,764	25,747,608
Trade and other receivables	6	3,313,159	1,995,258
Contract assets	7	5,670,378	3,891,217
Other current assets		605,030	566,106
<b>Total current assets</b>		<u>30,193,331</u>	<u>32,200,189</u>
<b>Non-current assets</b>			
Contract assets	7	4,729,489	-
Property, plant and equipment		709,920	705,848
Right-of-use assets		1,264,175	1,362,708
Intangibles	8	37,609,401	43,311,870
Deferred tax asset		559,970	579,629
Other assets		772,873	761,845
<b>Total non-current assets</b>		<u>45,645,828</u>	<u>46,721,900</u>
<b>Total assets</b>		<u>75,839,159</u>	<u>78,922,089</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		2,219,385	3,166,646
Contract liabilities	9	7,411,006	7,030,020
Lease liabilities		193,718	190,509
<b>Total current liabilities</b>		<u>9,824,109</u>	<u>10,387,175</u>
<b>Non-current liabilities</b>			
Lease liabilities		1,064,332	1,135,850
Deferred tax liabilities		7,649,361	9,023,846
<b>Total non-current liabilities</b>		<u>8,713,693</u>	<u>10,159,696</u>
<b>Total liabilities</b>		<u>18,537,802</u>	<u>20,546,871</u>
<b>Net assets</b>		<u>57,301,357</u>	<u>58,375,218</u>
<b>Equity</b>			
Issued capital	10	115,479,893	115,295,443
Reserves		5,447,267	6,575,207
Accumulated losses		<u>(63,625,803)</u>	<u>(63,495,432)</u>
<b>Total equity</b>		<u>57,301,357</u>	<u>58,375,218</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 2022**

<b>Consolidated</b>	<b>Issued capital</b> <b>\$</b>	<b>Share Based Payment Reserves</b> <b>\$</b>	<b>Foreign Exchange Translation Reserve</b> <b>\$</b>	<b>Accumulated Losses</b> <b>\$</b>	<b>Total equity</b> <b>\$</b>
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>

<b>Consolidated</b>	<b>Issued capital</b> <b>\$</b>	<b>Share Based Payment Reserves</b> <b>\$</b>	<b>Foreign Exchange Translation Reserve</b> <b>\$</b>	<b>Accumulated Losses</b> <b>\$</b>	<b>Total equity</b> <b>\$</b>
Balance at 1 July 2022	115,295,443	4,080,659	2,494,548	(63,495,432)	58,375,218
Loss after income tax benefit for the half-year	-	-	-	(130,371)	(130,371)
Other comprehensive income for the half-year, net of tax	-	-	(794,271)	-	(794,271)
Total comprehensive income for the half-year	-	-	(794,271)	(130,371)	(924,642)
<i>Transactions with owners in their capacity as owners:</i>					
Issue of shares upon exercise of options	184,450	(70,841)	-	-	113,609
Share-based payments	-	(262,828)	-	-	(262,828)
Balance at 31 December 2022	<u>115,479,893</u>	<u>3,746,990</u>	<u>1,700,277</u>	<u>(63,625,803)</u>	<u>57,301,357</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 2022**

	<b>Consolidated</b>	
	<b>31 December 2022</b>	<b>31 December 2021</b>
<b>Note</b>	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of GST)	8,947,782	11,990,037
Payments to suppliers (inclusive of GST)	<u>(14,226,488)</u>	<u>(10,862,829)</u>
	(5,278,706)	1,127,208
Interest received	35,075	10,581
Interest paid	<u>-</u>	<u>(17,431)</u>
Net cash (used in)/from operating activities	<u>(5,243,631)</u>	<u>1,120,358</u>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	<u>(89,893)</u>	<u>(84,711)</u>
Net cash used in investing activities	<u>(89,893)</u>	<u>(84,711)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	113,383	614,492
Repayment of lease liabilities	<u>(126,555)</u>	<u>(107,228)</u>
Net cash (used in)/from financing activities	<u>(13,172)</u>	<u>507,264</u>
Net (decrease)/increase in cash and cash equivalents	(5,346,696)	1,542,911
Cash and cash equivalents at the beginning of the financial half-year	25,747,608	18,363,398
Effects of exchange rate changes on cash and cash equivalents	<u>203,852</u>	<u>349,029</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>20,604,764</u></u>	<u><u>20,255,338</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 2022 was authorised for issue in accordance with a resolution of the Directors on **23 February 2023**.

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 2022 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 2022 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 global provider of enterprise imaging solutions for healthcare institutions, predominantly throughout North America, Asia Pacific, and the Middle East region. 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.

**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:

	<b>Consolidated</b>	
	<b>31 December 2022</b>	<b>31 December 2021</b>
	<b>\$</b>	<b>\$</b>
Revenue from continuing operations	16,412,740	14,338,228
Distributor and license fees	(325,255)	(519,282)
Operating expenditure	(12,973,801)	(10,176,568)
Other income/expenses (net)	(45,231)	(68,471)
<b>EBITDA – before the following items</b>	<u>3,068,453</u>	<u>3,573,907</u>
Share-based payments expense (non-cash)	262,828	(568,951)
Foreign exchange gains	111,603	48,127
<b>EBITDA</b>	<u>3,442,884</u>	<u>3,053,083</u>
Depreciation and amortisation	(4,610,600)	(4,529,066)
Right-of-use lease liability interest expense	(35,287)	(21,281)
Income tax benefit	1,072,632	1,078,122
Loss after tax	<u>(130,371)</u>	<u>(419,142)</u>

**Segment assets and liabilities**

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

**Geographical non-current assets**

	<b>Consolidated</b>	
	<b>31 December 2022</b>	<b>30 June 2022</b>
	<b>\$</b>	<b>\$</b>
North America	7,953,548	3,368,465
Asia	82,879	41,564
	<u>8,036,427</u>	<u>3,410,029</u>

**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, statement of work and/or order form. 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:

	<b>Consolidated</b>	
	<b>31 December 2022</b>	<b>31 December 2021</b>
	<b>\$</b>	<b>\$</b>
Software License Revenue (major segment)*	10,351,505	9,086,359
Professional Services Revenue	-	-
- implementation & training services	954,086	760,057
- migration services	147,606	364,355
- other custom services	-	18,397
Support and maintenance (recurring revenue)	4,959,543	4,109,060
	<u>16,412,740</u>	<u>14,338,228</u>
Geographical segment revenues		
North America	13,612,395	12,153,827
Asia/Pacific	2,250,457	1,648,245
Middle East	407,589	483,779
Europe and other regions	142,299	52,377
	<u>16,412,740</u>	<u>14,338,228</u>
<b>Timing of revenue recognition</b>		
Revenue recognised at a point in time	7,150,020	6,703,979
Revenue recognised over time	9,262,720	7,634,249
	<u>16,412,740</u>	<u>14,338,228</u>

\*Software License Revenue is comprised of Subscription Revenue (annual recurring revenue) and Capital Software License Revenue (recognised upfront upon delivery of software and is recurring at the end of each term, which is normally 5 years).

**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:

	<b>Consolidated</b>	
	<b>31 December 2022</b>	<b>31 December 2021</b>
	<b>\$</b>	<b>\$</b>
<i>Basic and diluted earnings per share for loss</i>		
Loss after income tax attributable to the owners of Mach7 Technologies Limited	<u>(130,371)</u>	<u>(419,142)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	<u>239,073,820</u>	<u>236,917,128</u>
	<b>Cents</b>	<b>Cents</b>
Basic and diluted earnings per share	(0.1)	(0.2)

**Note 6. Trade and other receivables**

	<b>Consolidated</b>	
	<b>31 December</b>	
	<b>2022</b>	<b>30 June 2022</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	3,288,370	1,917,425
Less: Allowance for expected credit losses	(72,472)	-
	<u>3,215,898</u>	<u>1,917,425</u>
Interest receivable	21,637	6,787
Sales tax receivable	30,230	19,393
	<u>51,867</u>	<u>26,180</u>
Other receivables	45,394	51,653
	<u>3,313,159</u>	<u>1,995,258</u>

**Note 7. Contract assets**

	<b>Consolidated</b>	
	<b>31 December</b>	
	<b>2022</b>	<b>30 June 2022</b>
	<b>\$</b>	<b>\$</b>
Contract assets-current	5,670,378	3,891,217
Contract assets-non-current	4,729,489	-
	<u>10,399,867</u>	<u>3,891,217</u>

Customer contract assets (or accrued revenue) represents fees which have been recognised as revenue which are yet to be invoiced to the customer. The customer is invoiced when certain contract milestones have been met. This can fluctuate from period to period, as these balances are impacted by the timing of when contracted sales occur, performance obligations are met and the payment milestones that are specified within each contract. The carrying values are assumed to approximate the fair values for these balances.

Under the accounting standards, contracts in which payment by the customer and performance by the Company occur at significantly different times will need to be assessed to determine whether the contract contains a significant financing component. In this reporting period, the Company has identified that its customer contract with Akumin contains a significant financing component due to the performance obligation in relation to the delivery of the capital licence being completed in December 2022 but payment for the capital software licence occurring over a 10-year period. In determining the promised amount of consideration adjusted for the significant financing component, the Company used a discount rate that would be reflected in a separate financing transaction between the Company and Akumin at contract inception which takes into account the credit characteristics of Akumin. The difference between the contract value and the capital software licence revenue recognised at contract inception will unwind over the next 10 years as interest income in the statement of profit or loss and other comprehensive income. The contract asset recognised in relation to the Akumin contract is split between current and non-current based on the invoicing schedule in the contract.



**Note 8. Intangibles**

	<b>Consolidated</b>	
	<b>31 December</b>	<b>30 June 2022</b>
	<b>2022</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Goodwill - at cost	4,153,829	4,299,657
Patents and trademarks - at cost	394,453	381,184
Less: Accumulated amortisation	<u>(313,487)</u>	<u>(298,750)</u>
	80,966	82,434
Customer contracts - at cost	11,526,310	11,621,152
Less: Accumulated amortisation	<u>(10,156,654)</u>	<u>(9,923,774)</u>
	1,369,656	1,697,378
Software - at cost	56,912,510	58,380,379
Less: Accumulated amortisation	<u>(29,357,281)</u>	<u>(25,847,387)</u>
	27,555,229	32,532,992
Brand Names - at cost	5,960,124	6,114,670
Less: Accumulated amortisation	<u>(1,510,403)</u>	<u>(1,415,261)</u>
	4,449,721	4,699,409
	<u>37,609,401</u>	<u>43,311,870</u>

*Reconciliations*

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

<b>Consolidated</b>	<b>Patents</b>	<b>Customer</b>	<b>Brand</b>	<b>Software</b>	<b>Goodwill</b>	<b>Total</b>
	<b>\$</b>	<b>Contracts</b>	<b>Names</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance at 1 July 2022	82,434	1,697,378	4,699,409	32,532,992	4,299,657	43,311,870
Exchange differences	1,229	(50,358)	(154,546)	(976,106)	(145,828)	(1,325,609)
Amortisation expense	<u>(2,697)</u>	<u>(277,364)</u>	<u>(95,142)</u>	<u>(4,001,657)</u>	-	<u>(4,376,860)</u>
Balance at 31 December 2022	<u>80,966</u>	<u>1,369,656</u>	<u>4,449,721</u>	<u>27,555,229</u>	<u>4,153,829</u>	<u>37,609,401</u>

**Note 9. Contract liabilities**

	<b>Consolidated</b>	
	<b>31 December</b>	<b>30 June 2022</b>
	<b>2022</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Support and maintenance Revenue received in advance	4,450,968	5,069,197
Professional service Revenue received in advance	1,864,418	940,780
Subscription Revenue received in advance	1,072,721	982,955
Software license Revenue received in advance	22,899	37,088
	<u>7,411,006</u>	<u>7,030,020</u>

Customer contract liabilities (or deferred revenue) represents cash amounts that have been collected from customers that will be recognised as revenue in a future period. Revenue is recognised:

- at a point in time when Capital Software Licenses are delivered.
- over a period of time when Professional Service milestones are achieved.
- over a period of time when Support & Maintenance services are performed.
- for Subscription over the subscription period upon the customer achieving First Productive Use.

The carrying values are assumed to approximate the fair values for these balances. Support & maintenance revenue and Subscription revenue received in advance are expected to grow year on year as the Group signs new customer contracts, i.e. every new Support & Maintenance contract and Subscription contract signed going forward will add to this balance. Professional Service Revenue received in advance are expected to fluctuate from year to year, as timing of sales orders, cash payment milestones and Professional Service milestones will impact this balance.

**Note 10. Issued capital**

	<b>Consolidated</b>			
	<b>31 December</b>	<b>30 June 2022</b>	<b>31 December</b>	<b>30 June 2022</b>
	<b>2022</b>	<b>2022</b>	<b>2022</b>	<b>2022</b>
	<b>Shares</b>	<b>Shares</b>	<b>\$</b>	<b>\$</b>
Ordinary shares - fully paid	<u>239,489,381</u>	<u>238,826,048</u>	<u>115,479,893</u>	<u>115,295,443</u>

*Movements in ordinary share capital*

<b>Details</b>	<b>Date</b>	<b>Shares</b>	<b>\$</b>
Balance	1 July 2022	238,826,048	115,295,443
Options exercised during the period		<u>663,333</u>	<u>184,450</u>
Balance	31 December 2022	<u>239,489,381</u>	<u>115,479,893</u>

*Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

*Share buy-back*

There is no current on-market share buy-back.

**Note 11. Dividends**

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

**Note 12. 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 13. Events after the reporting period**

No matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**Note 14. Contingent liabilities**

Mach7 Technologies, Inc., a wholly owned subsidiary of Mach7 Technologies Limited, received a patent infringement claim from AI Visualize. This case was dismissed by the Federal Court and subsequently AI Visualize filed an appeal. The appeal is in process and Management believes that the claim is highly unlikely to be successful in the US court of appeals. Timing for the case has yet to be set.

**Mach7 Technologies Limited**  
**Directors' declaration**  
**31 December 2022**

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 2022 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



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David Chambers  
Chairman

28 February 2023

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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 2022, 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 of the Group at the half-year end.

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 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 2022 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 Mach7 Technologies Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

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

The directors of the Mach7 Technologies Limited 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 2022 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: 28 February 2023