

# 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 2016

Provided to the ASX in accordance with listing rule 4.2A

**Melbourne Office**  
**Mach7 Technologies Limited**  
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**Results for announcement to the market**

Current reporting period is 1 July 2016 to 31 December 2016

Previous corresponding period is 1 July 2015 to 31 December 2015

		<b>% Change from previous corresponding period</b>	to	<b>Current reporting period \$'000</b>
Revenues from sales	increase	1594%	to	4,786
Other income	increase	859%	to	634
<b>Revenue from ordinary activities</b>	increase	1455%	to	<b>5,420</b>
Net loss for the period from ordinary activities after tax attributable to members	increase	205%	to	<b>(3,945)</b>
Net loss for the period attributable to members	increase	205%	to	<b>(3,945)</b>
<b>Dividends</b>				
Interim dividend		-		-
Final dividend		-		-

**Net Tangible Asset Backing**

	<b>31 December 2016</b>	<b>30 June 2016</b>
Net tangible asset backing per ordinary share*	0.5 cents	(0.4) cents

*\*before share consolidation, January 2017*

**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 2016.

**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.

# Directors' Report

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

Your directors submit their report for the half year ended 31 December 2016.

## Directors

The following persons were Directors or Company Secretary of Mach7 Technologies Limited (Company) during the whole of the half year ended 31 December 2016 and up to the date of this report, unless otherwise stated:

### Director

Damien Lim	Non-Executive Chairman
Albert Liong	Managing Director and CEO
Dr Nigel Finch	Non-Executive Director
Nobuhiko Ito	Non-Executive Director
A. Wayne Spittle	Non-Executive Director
Alyn Tai	Company Secretary

## Principal activities

The principal activity of the Company is the commercialisation of an enterprise imaging platform solution for healthcare enterprises. The Mach7 enterprise imaging platform enables the sharing, storage and workflows of medical imaging data across any and all modalities thus enabling interoperability for the healthcare enterprise. In addition to the enterprise imaging platform, the Company provides 3D printing solutions for the healthcare industry.

## 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

The Directors' comments form an integral part of this Directors' Report.

### Financial position

The Group has substantially strengthened its financial position during the current reporting period. The Group raised \$9.0 million (before costs) from a capital raise completed in three tranches across November and December 2016. From the proceeds of this capital raising, the Group extinguished substantially all of its unsecured debt, valued at \$2.8 million. This debt was due to mature at various dates through 2017, and carried interest rates of 10%–12%.

As a result of the recent capital raising and debt retirement, the Group ended the half year with net tangible assets of \$5.9 million, compared with net tangible liabilities of \$2.2 million at 30 June 2016. Net tangible assets includes cash on hand and deposits at 31 December 2016 of \$5.8 million, compared to \$1.9 million at 30 June 2016.

### Review of operations

The Company reported a net loss of \$3.9 million for the half year ended 31 December 2016 ("HY2016"). This was an increase in net loss of \$2.6 million over the previous corresponding period (half year ended 31 December 2015, or "HY2015"). The net loss for HY2016 included a full six months' of Mach7 operations as a result of the acquisition of Mach7 Technologies Pte. Ltd and its subsidiaries (Mach7 Group) which was completed on 8 April 2016. HY2015, in contrast, includes the result from the 3D medical business only.

# Directors' Report

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

The following sections provide a comparison to a pro-forma result, as if the Mach7 Group had been included in HY2015.

## Revenue from continuing operations and Gross Profit

Revenue for the half-year increased by 40% or \$1.4 million from the previous corresponding period on a pro-forma basis. Importantly, the main driver for this increase in revenues was an increase of 160% or \$1.1 million from recurring annual revenues (annual maintenance fees, subscriptions and pay-per-use fees). The recurring annual revenues continue to grow as the Group secures long-term contracts with new customers.

In addition to the increase in recurring revenues, software licence fees and service fees also grew at a rate of 12% and 40% respectively. Software license fees include fees from two big contract wins announced in the period, MaineHealth (Maine, U.S.), minimum contract value A\$3.8 million, and Sidra Medical and Research Centre (Doha, Qatar), minimum contract value A\$2 million. Service fee revenue was earned from software installations and training across eight (8) customers. Revenue from 3D printed models fell during the current period due to a one-off project in 2015 which was not repeated. Cost of goods also fell for the same reason. The Group continues to derive gross profit margins of at least 85%.

The table below provides a breakdown of revenue by component on a pro-forma basis:

### Statutory to Pro-Forma Revenue & Other Income Reconciliation (Table 1)

Revenue from continuing operations and Other income	Mach7 Group* HY 2015	3D Medical Group HY 2015	Pro-forma Group HY 2015	Mach7 Group HY 2016
	6 months to 31 December 2015 \$	6 months to 31 December 2015 \$	6 months to 31 December 2015 \$	6 months to 31 December 2016 \$
Software licence fees	2,196,665	–	2,196,665	2,475,713
Professional service fees	332,298	–	332,298	464,974
Annual maintenance fees	601,515	–	601,515	1,563,104
Subscription, Pay-per-use	–	94,439	94,439	246,843
3D printed models	–	108,095	108,095	8,716
Other revenue	79	80,000	80,079	26,674
<b>Revenue from continuing operations</b>	<b>3,130,557</b>	<b>282,534</b>	<b>3,413,091</b>	<b>4,786,024</b>
Cost of sales	152,907	229,993	382,900	278,872
<b>Gross profit</b>	<b>2,977,650</b>	<b>52,541</b>	<b>3,030,191</b>	<b>4,507,152</b>

\* Mach7 Technologies Group results prior to its acquisition by 3D Medical in April 2016.

# Directors' Report

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

## Expenses

The table below presents the pro-forma expenses from operations (excluding share-based payments expense, depreciation & amortisation, impairment charges and other expenses) that would have been incurred if the acquisition had been effective from 1 July 2015:

### Statutory to Pro-Forma Expense Reconciliation (Table 2)

Operating expenses**	Mach7 Group* HY 2015	3D Medical Group HY 2015	Pro-forma Group HY 2015	Mach7 Group HY 2016
	6 months to 31 December 2015	6 months to 31 December 2015	6 months to 31 December 2015	6 months to 31 December 2016
	\$	\$	\$	\$
Employee benefits expenses	3,332,307	596,447	3,928,754	4,684,536
Corporate and professional fees	336,529	461,267	797,796	480,899
Marketing expenses	537,835	93,712	631,547	478,386
Travel and related expenses	337,883	66,844	404,727	405,611
Administration, insurance and other	507,808	164,102	671,910	384,786
<b>TOTAL</b>	<b>5,052,362</b>	<b>1,382,372</b>	<b>6,434,734</b>	<b>6,434,218</b>

\* Mach7 Technologies Group results prior to its acquisition by 3D Medical in April 2016.

\*\* excluding interest, depreciation and amortisation and share based payments expenses

## Earnings before interest, tax, depreciation and amortisation (EBITDA)

When including the Mach7 operations for the previous corresponding period on a pro-forma basis, the Group improved its earnings before interest, tax, depreciation and amortisation (EBITDA) by \$1.9 million, from a loss of \$3.3 million for HY2015 to \$1.4 million for HY2016.

The table below presents the pro-forma EBITDA from operations (excluding share-based payments expense) that would have been incurred if the acquisition had been effective from 1 July 2015:

### Statutory to Pro-Forma EBITDA Reconciliation (Table 3)

EBITDA	Mach7 Group HY 2015	3D Medical Group HY 2015	Pro-forma Group HY 2015	Mach7 Group HY 2016
	6 months to 31 December 2015	6 months to 31 December 2015	6 months to 31 December 2015	6 months to 31 December 2016
	\$	\$	\$	\$
Gross profit	2,977,650	52,541	3,030,191	4,507,152
Other income (excluding interest)	1,765	53,342	55,107	621,262
Operating expenditure	(5,052,362)	(1,382,372)	(6,434,734)	(6,434,218)
Share-based payments (non-cash)	–	–	–	(67,097)
<b>EBITDA</b>	<b>(2,072,947)</b>	<b>(1,276,489)</b>	<b>(3,349,436)</b>	<b>(1,372,901)</b>

\* Mach7 Technologies Group results prior to its acquisition by 3D Medical in April 2016.

## Other expenditure

In addition to operating expenses, expenditure for the current period includes depreciation and amortisation expense of \$2.3 million (2015: \$0.03 million).

# Directors' Report

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

## Cash and cash-flow

The consolidated cash & cash equivalents (excluding restricted cash and deposits) as at 31 December 2016 are \$5.5 million and have increased by \$3.8 million since the previous corresponding period (30 June 2016: \$1.7 million). This is mainly due to the capital raising undertaken in November and December.

Operating cash outflows increased by \$0.9 million from \$1.5 million to \$2.4 million due the current period including the Mach7 operations which were not part of the previous period. The Group reported cash receipts from investing activities of \$0.01 million, compared to payments for investing activities of \$2.7 million in the prior period. Investing activities in the prior period included advances to the Mach7 Group, prior to acquisition, of \$2.2 million. Offsetting these cash outflows, the Group received \$6.2 million (HY2015: \$4.1 million), after costs and debt retirement from capital raising activities.

## Significant events occurring after balance date

The Company completed a 10 for 1 consolidation of its outstanding share capital (share consolidation) in January 2017. The share consolidation was approved by shareholders at the Company's general meeting held 28 December 2016.

## Outlook

The Group is in a strong financial position with approximately \$6 million in free cash and no debt on its balance sheet. Approaching its tenth year of operations, Mach7 has developed a technologically sound, highly competitive product. Its technology and its financial position provides Mach7 with the perfect platform to take advantage of a buoyant global enterprise imaging market. The superior, award-winning platform technology is generating a significant number of new sales leads that are expected to result in a significant increase in revenues. These sales leads, together with the Group's recent contract wins, support Mach7's position as a leader in this market and validates our growing footprint across the globe. The Group expects to reach profitability in the near term.

## Significant changes in the state of affairs

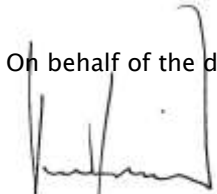
There were no significant changes in the state of affairs of the Group during the financial half-year.

## 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



Damien Lim, Chairman

27 February 2017

Singapore

**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 2016, 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 MIANO**  
Partner

27 February 2017  
Melbourne, Victoria

# Statement of Financial Position

AS AT 31 DECEMBER 2016

		CONSOLIDATED	
		31 Dec 16	30 Jun 16
		\$	\$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5a	5,511,315	1,718,511
Financial assets	5b	276,590	211,227
Trade and other receivables		2,973,976	2,066,735
Prepayments		457,607	436,082
<b>TOTAL CURRENT ASSETS</b>		<b>9,219,488</b>	<b>4,432,555</b>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment		688,448	799,569
Intangible assets		32,330,368	35,568,869
<b>TOTAL NON-CURRENT ASSETS</b>		<b>33,018,816</b>	<b>36,367,438</b>
<b>TOTAL ASSETS</b>		<b>42,238,304</b>	<b>40,800,993</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables		1,083,529	1,231,290
Deferred revenue	6	2,545,953	2,367,797
Interest bearing liabilities	7	198,059	2,992,802
<b>TOTAL CURRENT LIABILITIES</b>		<b>3,827,541</b>	<b>6,591,889</b>
<b>NON-CURRENT LIABILITIES</b>			
Finance leases		199,028	222,817
Funds held on deposit		20,000	-
Deferred tax liability		9,574,680	10,524,728
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>9,793,708</b>	<b>10,747,545</b>
<b>TOTAL LIABILITIES</b>		<b>13,621,249</b>	<b>17,339,434</b>
<b>NET ASSETS</b>		<b>28,617,055</b>	<b>23,461,559</b>
<b>EQUITY</b>			
Contributed equity	8	53,113,182	43,856,377
Reserves		1,601,782	1,757,862
Accumulated losses		(26,097,909)	(22,152,680)
<b>TOTAL EQUITY</b>		<b>28,617,055</b>	<b>23,461,559</b>

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



# Statement of Profit and Loss and Other Comprehensive Income

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

				CONSOLIDATED		
		Note	31 Dec 2016	31 Dec 2015		
			\$	\$		
<b>Revenue from continuing operations</b>						
Revenue from sales	4a		4,786,024	282,534		
Cost of sales			(278,872)	(229,993)		
<b>Gross Profit</b>						
			4,507,152	52,541		
Other income	4b		634,176	66,105		
Employee benefits & staff related expenses	4c		(4,684,536)	(596,447)		
Professional, consultancy, and corporate expenses			(480,899)	(461,267)		
Marketing expenses			(478,386)	(93,712)		
Travel and related expenses			(405,611)	(66,844)		
General administration expenses			(384,783)	(163,082)		
Finance costs			(239,533)	(1,020)		
Share based payment expense			(67,097)	-		
Depreciation and amortisation	4d		(2,345,712)	(28,089)		
<b>Loss from continuing operations before income tax</b>						
			(3,945,229)	(1,291,815)		
Income tax benefit			-	-		
<b>Loss for the year</b>						
			(3,945,229)	(1,291,815)		
Other comprehensive income			(223,177)	-		
<b>Total comprehensive loss for the year, net of tax, attributable to equity holders of the parent</b>						
			(4,168,406)	(1,291,815)		
Earnings per share (cents per share)						
- Basic earnings/(loss) per share (cents)			(0.4)	(0.3)		
- Diluted earnings/(loss) per share (cents)			(0.4)	(0.3)		
Dividends per share (cents)						
			-	-		

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

# Statement of Changes in Equity

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

Consolidated	Share Capital	Share Based Payments Reserve	Foreign Exchange Translation Reserve	Accumulated losses	Total Equity
	\$	\$	\$	\$	\$
<b>At 1 July 2015</b>	<b>11,078,442</b>	<b>1,541,442</b>	<b>-</b>	<b>(9,523,196)</b>	<b>3,096,688</b>
Loss for the half-year	-	-	-	(1,291,815)	(1,291,815)
Total comprehensive loss for the half-year	-	-	-	(1,291,815)	(1,291,815)
Issue of share capital	4,309,333	-	-	-	4,309,333
Capital raising costs	(213,098)	-	-	-	(213,098)
<b>At 31 December 2015</b>	<b>15,174,677</b>	<b>1,541,442</b>	<b>-</b>	<b>(10,815,011)</b>	<b>5,901,107</b>
<b>At 1 July 2016</b>	<b>43,856,377</b>	<b>1,897,267</b>	<b>(139,405)</b>	<b>(22,152,680)</b>	<b>23,461,559</b>
Loss for the half-year	-	-	-	(3,945,229)	(3,945,229)
Other comprehensive income/(loss) for the year	-	-	(223,177)	-	(223,177)
Total comprehensive loss for the half-year	-	-	(223,177)	(3,945,229)	(4,168,406)
Issue of share capital	9,772,844	-	-	-	9,772,844
Capital raising costs	(516,039)	-	-	-	(516,039)
Share based payments	-	67,097	-	-	67,097
<b>At 31 December 2016</b>	<b>53,113,182</b>	<b>1,964,364</b>	<b>(362,582)</b>	<b>(26,097,909)</b>	<b>28,617,055</b>

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

# Statement of Cash Flows

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	Note	CONSOLIDATED	
		31 Dec 2016	31 Dec 2015
		\$	\$
<b>Cash flows from operating activities</b>			
Receipts from customers		4,343,349	231,136
Payments to suppliers and employees		(6,948,121)	(1,790,670)
Interest received		2,597	12,763
Interest and other costs of finance paid		(134,967)	(1,031)
Taxes paid		(7,700)	-
Government grants and tax incentives received		6,135	-
Other receipts (rental and reimbursements)		342,087	-
Net cash used in operating activities		(2,396,620)	(1,547,802)
<b>Cash flows from investing activities</b>			
Other investing receipts		9,260	-
Payment for plant and equipment		-	(526,027)
Loan to Mach7 Technologies Pte Ltd (pre-acquisition)		-	(2,193,382)
Net cash flows provided by / (used in) investing activities		9,260	(2,719,409)
<b>Cash flows from financing activities</b>			
Proceeds from issues of shares, options etc		7,400,370	4,309,333
Repayment of borrowings		(670,000)	-
Capital raising cost		(494,700)	(213,098)
Net cash flows provided by financing activities		6,235,670	4,096,235
Net increase/ (decrease) in cash and cash equivalents		3,848,310	(170,976)
Net foreign exchange difference relating to cash		(55,506)	-
Cash and cash equivalents at beginning of period		1,718,511	2,751,420
<b>Cash and cash equivalents at end of period</b>	5a	<b>5,511,315</b>	<b>2,580,444</b>

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

# Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

## 1. CORPORATE INFORMATION

The financial report of Mach7 Technologies Limited (the “Company” or the “Parent”) for the half year ended 31 December 2016 was authorised for issue in accordance with a resolution of the directors on 27 February 2017.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis.

For the purposes of preparing financial statements, Mach7 Technologies Limited is a for-profit entity.

The financial report is presented in Australian dollars unless otherwise stated.

### Going Concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the Group incurred losses of \$3.9 million and had net cash outflows from operating activities of \$2.4 million for the period ended 31 December 2016. During the period, the Group successfully raised \$9.0 million and repaid \$2.8 million of external debt. As a result of the capital raising, the Group had net current assets of \$5.4 million, including \$5.8 million of cash on hand (both free and restricted) at 31 December 2016. Restricted cash comprises a bank guarantee which is due to be returned to the G during January 2017.

Due to the solid financial position at 31 December 2016, the Directors believe that there are reasonable grounds to believe that the Group will be able to continue as a going concern, provided the Group continues to be successful in securing projected new revenue contracts and manages its operating cash flows effectively.

Accordingly, the Directors believe that the Group will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the Group does not continue as a going concern.

# Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

## 3. SEGMENT INFORMATION

The Group is organised into two separate business units for management reporting purposes. The business activities of Mach7 Technologies Limited at the reporting date comprised the Mach7 enterprise imaging platform technology and the 3D Medical printing business.

<b>Consolidated – 31 Dec 2016</b>	<b>Mach7 Enterprise Imaging Platform</b>	<b>3D Medical Printing</b>	<b>Group</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Revenue</b>			
Sales to external customers	4,777,308	8,716	4,786,024
Other revenue	336,082	23,325	359,407
<b>Total segment revenue</b>	<b>5,113,389</b>	<b>32,041</b>	<b>5,145,431</b>
Intersegment eliminations	-	-	-
<b>Total revenue</b>	<b>5,113,389</b>	<b>32,041</b>	<b>5,145,431</b>
Cost of sales	(255,534)	(26,003)	(281,537)
Operating expenses	(5,415,373)	(237,006)	(5,652,379)
<i>Unallocated:</i>			
Corporate & head office overheads			(779,171)
Other income			261,852
Share based payments expense			(67,097)
<b>Earnings before interest, tax, depreciation &amp; amortisation</b>	<b>(557,518)</b>	<b>(230,968)</b>	<b>(1,372,901)</b>
Depreciation and amortisation	(2,247,958)	(97,754)	(2,345,712)
Finance costs	(212,344)	(27,189)	(239,533)
<i>Unallocated:</i>			
Interest revenue	-	-	12,917
<b>Profit before income tax expense</b>	<b>(3,017,820)</b>	<b>(355,911)</b>	<b>(3,945,229)</b>
Income tax expense	-	-	-
<b>Profit after income tax expense</b>	<b>(3,017,820)</b>	<b>(355,911)</b>	<b>(3,945,229)</b>
<i>Material items include:</i>			
Amortisation of intangible assets	(3,171,750)	-	(3,171,750)
Amortisation of deferred tax liability	950,048	-	950,048
<b>Assets</b>			
Segment assets	3,290,855	641,354	3,932,210
Intersegment eliminations	-	-	-
Intangible assets	32,330,369	-	32,330,369
<i>Unallocated assets:</i>			5,632,726
<b>Total assets</b>	<b>35,621,224</b>	<b>-</b>	<b>41,895,305</b>
<b>Liabilities</b>			
Segment liabilities	2,933,511	388,627	3,322,139
Intersegment eliminations	-	-	-
Deferred tax liability	9,574,680	-	9,574,680
<i>Unallocated liabilities:</i>			381,431
<b>Total liabilities</b>	<b>9,574,680</b>	<b>-</b>	<b>13,278,250</b>

# Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

## 3. SEGMENT INFORMATION (continued)

Consolidated – 31 Dec 2015	Mach7 Enterprise Imaging Platform \$	3D Medical Printing \$	Group \$
<b>Revenue</b>			
Sales to external customers	-	335,876	335,876
<b>Total segment revenue</b>	<b>-</b>	<b>335,876</b>	<b>335,876</b>
Cost of sales	-	(229,993)	(229,993)
Operating expenses	-	(1,381,352)	(1,381,352)
<b>Earnings before interest, tax, depreciation &amp; amortisation</b>	<b>-</b>	<b>(1,275,469)</b>	<b>(1,275,469)</b>
Depreciation and amortisation	-	(28,089)	(28,089)
Interest revenue	-	12,763	12,763
Finance costs	-	(1,020)	(1,020)
<b>Profit before income tax expense</b>	<b>-</b>	<b>(1,291,815)</b>	<b>(1,291,815)</b>
Income tax expense	-	-	-
<b>Profit after income tax expense</b>	<b>-</b>	<b>(1,291,815)</b>	<b>(1,291,815)</b>
<b>Assets</b>			
Segment and total assets	-	6,189,986	6,189,986
<b>Liabilities</b>			
Segment and total Liabilities	-	288,879	288,879

## Geographic information

	Sales to external customers		Non-current assets	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
	\$	\$	\$	\$
Australia	144,403	335,876	429,869	772,365
Singapore	1,518,863	-	9,393	-
United States	3,122,758	-	249,185	-
	<b>4,786,024</b>	<b>335,876</b>	<b>688,448</b>	<b>772,365</b>

# Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

## 4. REVENUE, OTHER INCOME AND EXPENSES

	CONSOLIDATED	
	31 Dec 2016	31 Dec 2015
	\$	\$
<b>(a) Revenue</b>		
Software licence fees	2,475,713	-
Professional service fees	407,975	-
Annual maintenance fees	1,563,104	-
Subscription (pay-per-use) revenue	246,843	94,439
3D printed models	8,716	108,095
Other software technology licence fees (reseller agreements)	83,673	80,000
	<b>4,786,024</b>	<b>282,534</b>
<b>(b) Other income</b>		
Interest income	12,917	12,763
Government grants	6,218	-
Rental income (sub-tenancy)	54,904	53,342
Gain on disposal of fixed asset	26,622	-
R&D Tax refund	23,325	-
Bad debt recovery	326,104	-
Foreign currency exchange gain	179,402	-
Other Revenue	4,684	-
	<b>634,176</b>	<b>66,105</b>
<b>(c) Employee salaries, benefit and staff related expenses</b>		
Salaries and wages	3,734,563	397,051
Superannuation expenses	145,584	29,645
Workers compensation costs	6,745	4,436
Annual leave provision movement	(77,519)	(9,624)
Payroll and Fringe Benefit Tax	202,800	9,427
Other employee benefits (eg health insurance)	559,942	26,278
Directors fees	112,421	139,234
	<b>4,684,536</b>	<b>596,447</b>
<b>(d) Depreciation and amortisation</b>		
Amortisation of intangible assets	3,171,750	-
Amortisation of deferred tax liability	(950,048)	-
Depreciation of property, plant and equipment	124,010	28,089
	<b>2,345,712</b>	<b>28,089</b>

# Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

## 5. CASH AND CASH EQUIVALENTS & FINANCIAL ASSETS

		CONSOLIDATED	
		31 Dec 2016	30 Jun 2016
		\$	\$
Cash at bank and on hand	5a	5,511,315	1,718,511
Bank guarantees and security deposits	5b	276,590	211,227
<b>Total cash (including restricted deposits)</b>		<b>5,787,905</b>	<b>1,929,738</b>

Cash on call deposits are made for varying periods of between one day and three months, depending on the immediate cash requirement of the Group, and earn interest at the respective cash on call deposit rates. A bank guarantee of \$222,870 is due to be returned to the Group in January 2017. The remaining deposits are for bonds paid in respect of leases for premises.

## 6. DEFERRED REVENUE

		CONSOLIDATED	
		31 Dec 2016	30 Jun 2016
		\$	\$
Software support revenue	(i)	1,776,535	962,064
Advances from customers	(ii)	769,418	1,405,733
		<b>2,545,953</b>	<b>2,367,797</b>

Terms and conditions relating to the above financial instruments:

- (i) Software support revenue represents annual maintenance contracts where payment has been received by the customer in advance (typically customers are billed annually in advance) and revenue is yet to be recognised (revenue is recognised evenly through-out the year).
- (ii) Advances from customers represent software licence fees (typically amounts are invoiced and received as milestones are achieved) but where the revenue is yet to be recognised.

Due to the short term nature of the above deferred revenue balances, their carrying value is assumed to approximate their fair value.

## 7. CURRENT INTEREST BEARING LIABILITIES

		CONSOLIDATED	
		31 Dec 2016	30 Jun 2016
		\$	\$
Interest bearing loans (i)		68,600	2,876,135
Current portion of finance lease	9	129,459	116,667
		<b>198,059</b>	<b>2,992,802</b>

(i) As part of a placement of ordinary shares to institutional and sophisticated investors during the current reporting period, the Group repaid \$2.2 million of its debt by issuing ordinary shares, at a price per share of 4 cents, to the lenders (loans a. to c., and part of e. below). In addition, it repaid \$0.7 million of its debt with cash (loan d.) Immediately prior to repayment, the Group had the following interest bearing loans outstanding:

- a) US\$1,000,000 repayable (50%) on 1 April 2017 and (50%) on 1 July 2017, interest rate 12% per annum payable monthly in arrears;
- b) US\$280,000 repayable on 1 June 2017, interest rate 12% per annum payable quarterly in arrears;
- c) US\$220,000 repayable on 1 June 2017, interest rate 12% per annum payable quarterly in arrears;
- d) US\$500,000 repayable on 1 January 2017, interest rate 12% per annum payable quarterly in arrears;
- e) US\$127,555 no formal maturity date, interest rate of 10% per annum, accumulating.



# Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

## 8. CONTRIBUTED EQUITY

	CONSOLIDATED	
	31 Dec 2016	30 Jun 2016
<b>(a) Ordinary shares*</b>		
Number of shares issued and fully paid	1,182,054,402	940,135,143
Value	\$ 53,113,182	\$43,856,377
<b>(b) Performance shares**</b>		
Number of shares issued and fully paid	300,000,000	300,000,000
Value	\$-	\$-

\*Fully paid ordinary shares carry one vote per share and carry the right to dividends. The ordinary shares issued are subject to the following escrow conditions as at 31 December 2016:

	No. of ordinary shares
Unrestricted and quoted on ASX	681,373,228
Restricted until 18 February 2017 (unquoted on ASX)	58,748,168
Restricted until 8 April 2017 (quoted on ASX)	441,933,006
<b>Total Ordinary Shares On Issue</b>	<b>1,182,054,402</b>

\*\*Four classes of Performance Shares were issued to the vendors of Mach7 Technologies Pte Ltd as part of the Company's merger with Mach7 during the previous corresponding period. Refer the Groups financial statements for the year ended 30 June 2016 for more information.

Movements in ordinary shares on issue	No. of Ordinary Shares	\$
At 1 July 2015	375,953,825	11,078,442
Issue of shares under capital raising placement at \$0.075 per share	53,121,066	3,984,081
Issue of shares under share purchase plan at \$0.075 per share	4,336,704	325,250
<b>At 31 December 2015</b>	<b>433,411,595</b>	<b>15,387,773</b>
Exercise of options at 5 cents per share	1,590,283	79,514
Shares issued on acquisition of Mach7 Technologies Pte. Ltd*	459,499,119	26,095,633
Issue of shares under capital raising placement at \$0.06 per share	42,000,000	2,520,000
Issue of shares under agreements with employees	2,134,146	166,774
Shares issued in exchange for interest costs and variation on loan	1,500,000	92,736
Capital raising costs	na	(486,053)
<b>At 30 June 2016</b>	<b>940,135,143</b>	<b>43,856,377</b>
Issue of shares for interest and loan extensions	4,650,600	186,024
Exercise of options at 5 cents per share	9,607,398	480,370
Issue of shares under capital raising placement at 4 cents per share	227,661,261	9,106,450
Capital raising costs	na	(516,039)
<b>At 31 December 2016</b>	<b>1,182,054,402</b>	<b>53,113,182</b>

\*Refer Note 9 for further information.

# Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

## 9. BUSINESS COMBINATIONS

### Acquisition of Mach7 Technologies Pte. Ltd

On 8 April 2016, 3D Medical Limited acquired all the issued share capital of Mach7 Technologies Pte. Ltd. (Mach7) a business specialising in enterprise imaging software for the healthcare industry. 3D Medical Limited is the exclusive reseller for Mach7 Enterprise Imaging Platform software in Australia and New Zealand.

The preliminary amounts recorded as a result of the business combination are shown in the table below.

	<b>Preliminary Fair Values recorded on Acquisition</b>
	<b>\$</b>
<b>Purchase consideration</b>	
Shares issued on acquisition of Mach7 Technologies Pte. Ltd	
– Ordinary shares*	26,095,633
– Performance shares (300 million) issued (nil value)	–
– Cash advanced for exercise of options on acquisition	1,137,542
– Charge for quasi-options exchanged on acquisition	325,578
	<b>27,558,753</b>
Fair value of net tangible liabilities acquired	(5,081,923)
– Fair value of intangible assets acquired – before goodwill	25,720,947
– Goodwill on consolidation*	6,919,729
Fair value of intangible assets acquired	32,640,676
<b>Total fair value of net assets acquired</b>	<b>27,558,753</b>

\*The Company has 12 months from the date of acquisition to finalise fair values recorded at the date of acquisition. During the current period, the Group reviewed the fair values of the net assets acquired and consideration issued. As part of this review, the fair value of ordinary shares issued for consideration was reduced by \$1,933,813. This reduction was the result of 31,701,855 shares issued to employees of Mach7 which were initially valued at 6.1 cents per share. These shares are subject to a non-recourse loan, and as such, have been separately valued in accordance with AASB2 Share Based Payments. As a result, the fair values recorded on acquisition for the ordinary shares issued and goodwill on consolidation, have been reduced by \$1,933,813.

Further detail can be found in Note 18 of the Annual Report for the year ended 30 June 2016.

## 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 2016 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Group 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

A handwritten signature in black ink, appearing to read 'Damien Lim', written over a faint rectangular box.

Damien Lim

Chairman

27 February 2017

Singapore

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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 2016, 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 2016 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 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 2016 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 MIANO**  
Partner

27 February 2017  
Melbourne, Victoria