

The logo for MACH7, featuring a stylized 'M' composed of green and blue lines, followed by the text 'MACH7' in a bold, black, sans-serif font.

# MACH7

FOCUSED ON INTRODUCING A NEW ERA IN ENTERPRISE IMAGING INNOVATION AND INDEPENDENCE

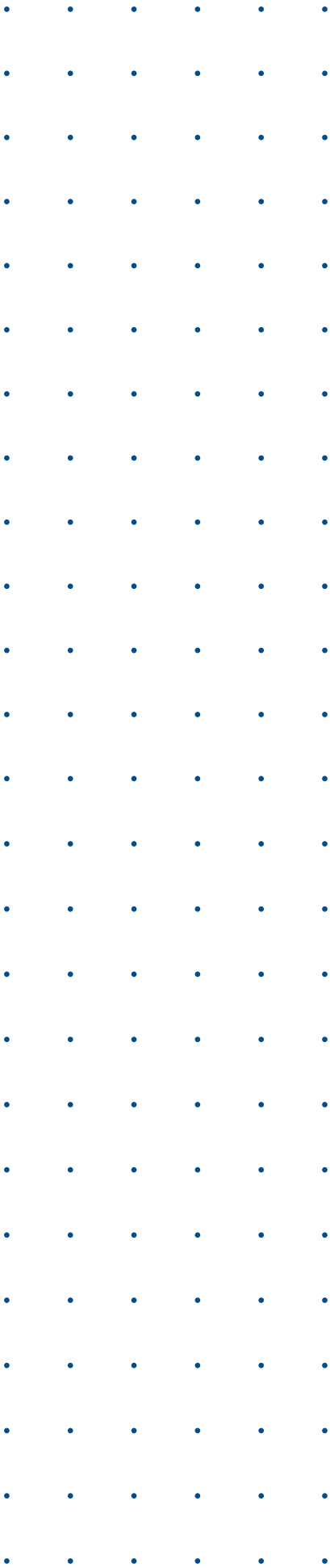


## Annual Report 2019/20

(ASX: M7T)  
ABN 007 817 192

***We help healthcare providers  
drive enterprise imaging  
forward in a strategic way,  
moving beyond technology  
deployment to achieving a  
mature strategy that includes  
all the structural building  
blocks of success.***





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# CEO/CHAIRMAN'S LETTER



Dear Mach7 Shareholders,

We're delighted to present you with our Annual Report for 2020. This year has been a very successful year for our Company, having doubled our revenue and achieved profitability and positive cash flows for the first time since listing in 2016. These were all goals we set at the start of the year, and we are proud to have successfully delivered on these. This has put Mach7 in an excellent position to achieve future growth.



We are pleased to have seen all our three major regions (North America, Asia-Pacific, and Middle East) contribute to our revenue and profitability growth during the year. In particular, the Asia-Pacific region continues to grow as we consolidate our position in Hong Kong and expand into other surrounding countries.

Whilst the Coronavirus pandemic created a challenge this year, the Company continued to deliver results. The Executive team has executed two successful capital raisings during the year which puts us in a strong financial position for the year beyond.

## STRATEGIC ACQUISITION

A big part of our year included pursuing our planned strategic initiative, the acquisition of Client Outlook, whose "eUnity" SMARTViewer is a recognised leader in the universal viewer market. We were pleased to announce this deal successfully closed on July 13, 2020, a deal which we believe is transformational for the Company. The powerful combination of eUnity and Mach7's platform provides our customers with a true end-to-end enterprise imaging solution.. This opens a much larger addressable market for the Company, extending beyond Enterprise Imaging to teleradiology and PACS. The prioritisation of Enterprise Imaging Infrastructure in the imaging market is a continuing trend which favours Mach7. Teleradiology and remote reading have also emerged as prominent growth areas which we are well placed to compete in. We are optimistic about what these market opportunities will yield in the months and years to come.

## PEOPLE & EXPERTISE

Following the prior year appointment to the Board of leading Radiologist Dr. Eliot Siegel, this year Rob Bazzani was appointed to our Board. Rob is amongst Australia's most highly respected business leaders and has added tremendously to our range of skill sets.

Through the acquisition of Client Outlook, we have also added significantly to our imaging industry talent base across all staffing levels, and importantly, to the executive team.

## CUSTOMERS

We have gained the endorsement of the market by capturing a number of preeminent sites this year and delivering on our commitments to enable better productivity and improved clinical outcomes.

Customer advocacy and our commitment to innovation is establishing our brand as a leader in the imaging industry. We continue to leverage our existing installation base to attract new customers.



## PRODUCT

Our technology has continued to be enhanced with upgrades delivering increased functionality for our customers. FY20 saw the release of version 11.9 of the Mach7 Platform. This continued product innovation from our talented software engineers make our solutions more attractive to the whole market and allow us to forge ahead as a leader in the enterprise imaging field.

## FY21

We recognise the importance of the integration of our company with Client Outlook and are executing robust plans to ensure the success of the integration program. The integration program builds on our already long-standing partnership and successes we have enjoyed together in the market.

The momentum from a successful FY20 and completed acquisition of Client Outlook positions Mach7 well for continued profitable growth in a substantially larger addressable market. Mach7 is now a clear market leader in the provision of a complete enterprise imaging solution encompassing imaging data management (vendor neutral archive and communication workflows), patient worklists, and a powerful enterprise viewer for the viewing of digital images across all healthcare specialties. Mach7 is in a strong financial position with more than \$17 million cash at bank at 30 September and is debt free. Mach7 believes it can continue to deliver strong double-digit revenue growth, EBITDA growth and positive free cash flows into the future.

Extending our product portfolio, maintaining our business flexibility and allowing a level of vendor independence for our customers that makes them even more successful, is a great way to kick-off FY21.

We appreciate the ongoing endorsement from our investors and want to ensure you continue to be rewarded as we build shareholder value through our next phase of growth.

Finally, we take this opportunity to thank all our hard-working employees and fellow directors who have helped deliver a truly transformational year.

Sincerely,

**David Chambers**  
Chairman

**Mike Lampron**  
CEO, Managing Director

# MACH7 TECHNOLOGIES (ASX:M7T)

PATIENT-CENTRIC ENTERPRISE IMAGING WITH A GLOBAL PRESENCE



## BUILDING A GLOBAL NETWORK

Over 150 Customers Worldwide spanning 15 countries\*

- Integrated Delivery Networks
- Academic Medical Institutions
- Regional Trauma Centers
- Tertiary Care Centers
- Medical Provider Groups
- National Health Systems
- Pediatric Hospitals
- Centers of Excellence
- Community Health Centers
- Imaging Centers
- Strategic Partners
- Platform hosting
- Veterinary hospitals

## CUSTOMER FOOTPRINT EXPANDED FROM 10 TO 15 COUNTRIES GLOBALLY

|                  |
|------------------|
| <b>Australia</b> |
| United States    |
| <b>Canada</b>    |
| <b>China</b>     |
| United Kingdom   |
| Hong Kong        |
| The Netherlands  |
| Singapore        |
| Philippines      |
| Saudi Arabia     |
| Indonesia        |
| Vietnam          |
| France           |
| Italy            |
| Qatar            |

*\*Includes client outlook – eunity installations*

# CUSTOMER EXPANSION

## MACH7 + CLIENT OUTLOOK

The acquisition of Client Outlook significantly augments Mach7's enterprise imaging platform with a single diagnostic enterprise viewing and integration platform. This creates an expanded addressable market from US\$0.75BN to US\$2.75BN and immediate expansion of customer base.

|   |  |  |
|---|--|--|
|    |  |  |
|  <b>MASSACHUSETTS GENERAL HOSPITAL</b>   |  <b>Penn Medicine</b>   |  <b>Singapore General Hospital</b><br>SingHealth                  |
|  <b>PennState Health</b><br>Milton S. Hershey Medical Center   |  <b>WAKE RADIOLOGY</b>  |  <b>THE University of Vermont</b><br>MEDICAL CENTER               |
|  <b>مؤسسة حمد الطبية</b><br>Hamad Medical Corporation<br>HEALTH • EDUCATION • RESEARCH    صحة • تعليم • بحوث |  <b>El Camino Hospital</b><br>THE HOSPITAL OF SILICON VALLEY  |  <b>SDi</b><br>SAN DIEGO imaging                                  |
|  <b>raleigh radiology</b>  |  <b>100 YEARS RAPA</b><br>RADIOLOGY ASSOCIATES, P.A.   |  <b>London Imaging Centre</b>                                    |
|  <b>SENTARA</b>  |  <b>醫院管理局</b><br>HOSPITAL AUTHORITY   |  <b>College of Veterinary Medicine</b><br>UNIVERSITY OF GEORGIA |
|  <b>MaineHealth</b>  |  <b>AdvocateAuroraHealth</b>  |  <b>Children's of Alabama</b>                                   |
|  <b>YUMA REGIONAL MEDICAL CENTER</b>   |  <b>Radiological Physician Associates, Inc.</b><br>700 Village Drive, Fairmont, West Virginia 26554 |  <b>Marshfield Clinic</b>                                       |
|  <b>MDIG</b>   |  <b>ARA</b><br>DIAGNOSTIC IMAGING   |  <b>UCSF Medical Center</b>                                     |
|  <b>CAREMOUNT</b><br>MEDICAL   |  <b>iCARE</b><br>RADIOLOGY  |  <b>Sunnybrook</b><br>HEALTH SCIENCES CENTRE                    |
|  <b>AULTMAN</b>  |  <b>SDI</b> southwest diagnostic imaging<br>seeing you well   |  <b>TriRivers</b>   |

# CUSTOMERS – FY20

## NEW AND EXPANDED GLOBAL CUSTOMER DEALS

Sales orders of **\$13.3M** (first year value “FYV”), with **\$2.2M** of contracted annual recurring revenue, including:



**Advocate Aurora Healthcare**



**Strategic Radiology (Teleradiology)**



**Adventist Health Tulare**



**Hospital Authority (HK) (purchased license for 2M procedures + eUnity server licenses)**



**St. Teresa’s Hospital (HK)**



**Hamad Medical Centre (Qatar) (new 5 year support agreement)**

**24 sales orders to existing customer base**

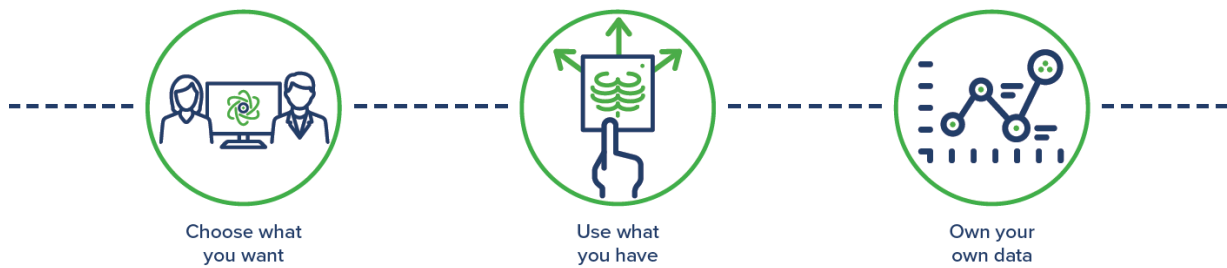
## SUCCESSFUL CUSTOMER DEPLOYMENTS

**Nine (9)** successful customer deployments, contributing **\$2.0M** (p.a.) in annual recurring revenue commencing FY20 (\$1M recognised in FY20), including:





# WHO IS MACH7?



At Mach7, the company's purpose is simple: to give clinicians the innovative tools needed to achieve the quadruple aim of healthcare – improving patient health outcomes, enhancing the patient experience, increasing staff satisfaction, and reducing the cost of care. Mach7 differs from many other companies in the industry by building an integrated imaging ecosystem where the imaging solution technologies work together in harmony. Because Mach7 was built as an integration platform first, we empower healthcare providers in three key ways:

- a) Support the customer in choosing the imaging solutions their clinicians prefer while adopting Mach7's advanced innovations over time;
- b) Leverage the IT investments already made through comprehensive interoperability and unmatched deployment flexibility and;
- c) Own and better control patient data by implementing Mach7's sophisticated workflow and data management capabilities. By removing the technology limitations that inhibit the free flow of patient information and access to the complete patient medical record, Mach7 product offerings and people expertise helps organizations increase their efficiency, achieve profound operational cost savings, leverage their existing IT investments, improve the experience for patients and medical professionals, and, ultimately, support healthier outcomes.

## HEALTH OUTCOMES

Consolidating all patient images and data into one place ensures that clinical staff always have access to the information they need to diagnose and treat ailments, while a zero-footprint solution makes the images accessible on any workstation. The result is a level of access and efficiency that positively impacts patient outcomes.

## PATIENT EXPERIENCE

By streamlining clinical workflows and giving physicians access to the complete patient record, including images, Mach7 empowers more precise diagnoses and treatment, helps reduce repeat imaging and procedures, and eases patient frustrations when their caregivers cannot access their medical history.

## STAFF SATISFACTION

Staff burnout is an escalating problem in healthcare. Mach7 improves access to information, as well as image and data consolidation and normalization. This streamlines workflows, reduces clicks, and completes the patient record, to ease the frustrations felt by clinical users.

## COST OF CARE

Operating and maintaining independent departmental systems is expensive. Mach7 stands apart from the competition with one powerful viewer that provides access to a consolidated, centralized data archive to streamline workflows and reduce service contracts.

# THE MACH7 CUSTOMER VALUE DIFFERENTIATORS

## THE MACH7 APPROACH

Mach7 Technologies offers an integrated end-to-end enterprise imaging platform designed to meet the challenging patient imaging and informatics needs of healthcare providers across the globe. Our product innovations are developed utilizing an inimitable approach to build an integrated platform from the ground-up while offering the flexibility and independence to adopt individual components, as needed, over time.

Mach7 is different in that its solutions are designed and developed with a distinct focus on patient outcomes, patient experience, staff satisfaction, and cost containment. The components may be deployed onsite, in the cloud, or through a combination of cloud services and onsite solutions. With this approach, our mission, product vision and resource investments have been dedicated to uniquely solving a myriad of healthcare enterprise imaging and patient data management challenges.

## THE CURRENT HEALTHCARE IMAGING LANDSCAPE

Today's healthcare organizations face similar industry-pervasive imaging and infrastructure challenges as they transition to a mature digital imaging enterprise strategy. Healthcare institutions in both the private and public sector around the globe are continually struggling to

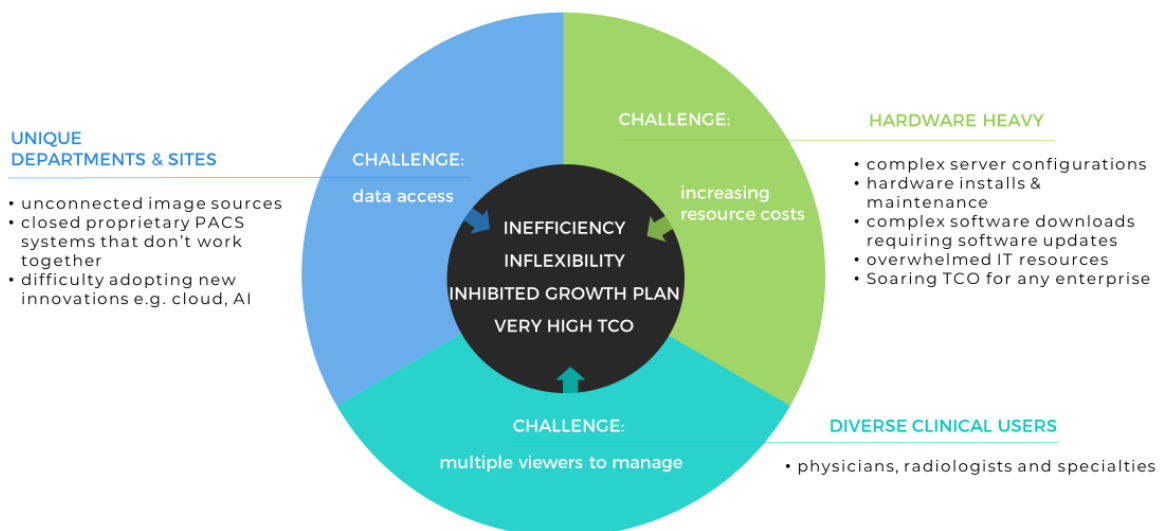
adopt IT systems which provide a clinically effective, technologically advanced and cost-conscious foundation in support of a superior delivery of care experience for their patients.

Challenges in managing massive amounts of imaging data in various formats and structure from disparate sources and across service lines, specialties, facilities and geographic locations are especially problematic. Integrating enterprise image viewing, clinical workflow applications, vendor neutral archiving and cloud hosting capabilities together under one seamless end-to-end solution is also a common problem associated with adopting a thorough enterprise imaging strategy. Healthcare system purchasers also must take into consideration the need for tight EMR integration, interoperability standardization, patient portal access, image sharing applications as well as advanced imaging solutions for complex studies and specialty diagnostic reading (e.g., Oncology, Digital Breast Imaging, etc.).

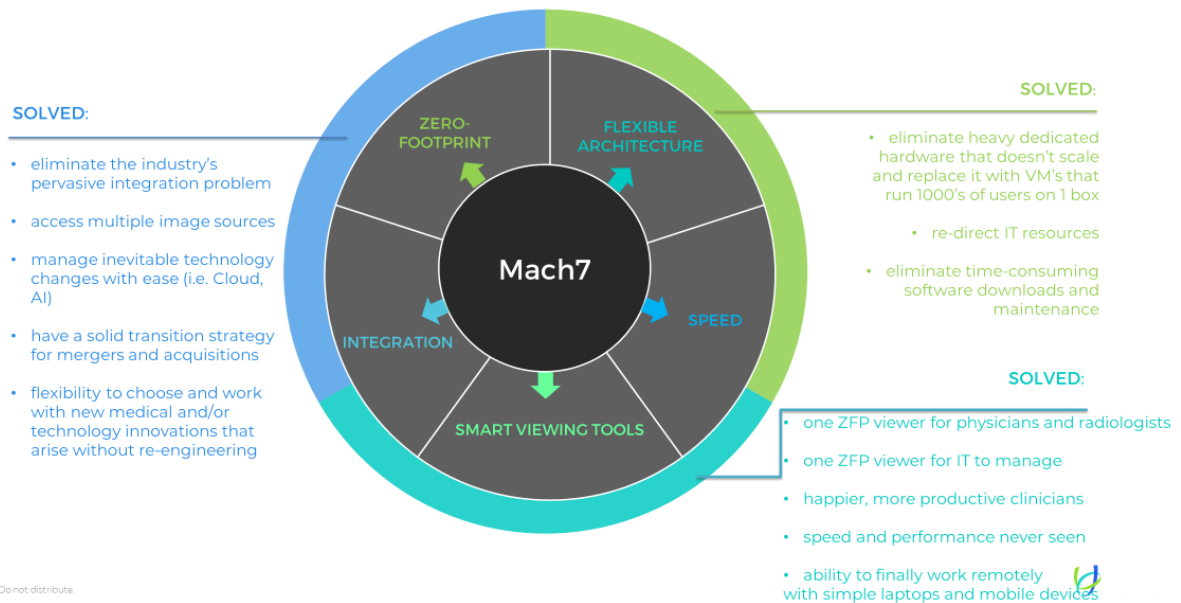
Healthcare IT providers make many claims but, it is especially challenging to provide all these components under one secure, diagnostic imaging platform with the speed, performance, stability and high-end user experience required to meet all their imaging needs.

Traditional PACS companies simply cannot evolve quickly enough to keep up with this fast-changing, dynamic healthcare industry landscape. They struggle to keep up with technology advancements in operating

## TODAY'S ENTERPRISE LANDSCAPE



## MAPPING Mach7 TO CURRENT & FUTURE ENTERPRISE CHALLENGES



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systems, enterprise viewing requirements, web services, cybersecurity, interoperability, clinical workflow management, user interfaces, usability, and a host of other imaging needs. Due to these challenges and the inability to adapt, these “slow-to-market” PACS IT vendors have taken the approach of simply bolting on new applications to a proprietary and antiquated imaging infrastructure. For the healthcare providers, this means additional costs, stagnated ability to advance into newer technologies, lack of system and user integration, immense clinical workflow inefficiencies and additional overhead. Ultimately, this impacts staff satisfaction, patient satisfaction, cost of ownership and most importantly, patient outcomes.

With the recent acquisition of Client Outlook's SMARTViewer, Mach7 Technologies is uniquely positioned in the market to meet these challenges, with the added benefit of providing unmatched flexibility and independence for the customer in both deployment and purchase options.

When healthcare organizations begin transitioning to an enterprise model, the problems become clear:

- Difficulty accessing images and data due to lack of interoperability between disparate vendors
- Numerous different viewers and disconnected IT systems to manage
- Various users with distinct image viewing performance demands
- Complex hardware and software maintenance-intensive infrastructures

And, as healthcare organizations continue to expand through mergers and acquisitions, the problem is compounded. There are now *multiple* radiology PACS, IT systems and viewing solutions from multiple different vendors that need to work together in a *multi-site system*. The lack of interoperability is overwhelming and has created a major, pervasive roadblock for organizations on the path to an enterprise strategy. As a result, the ability to grow and adopt emerging innovations like Cloud or AI is stifled, ultimately impacting efficiency and patient care.

### WHY IS MACH7 DIFFERENT?

Mach7's Enterprise Imaging Solution was based on the overarching result being the creation of both a viewing *and* integration platform that gives physicians and radiologists federated uninterrupted access to images, and IT teams an infrastructure to connect disparate systems.

It was developed with a more strategic and customer value approach that no single healthcare IT vendor in the industry can match today to:

- Understand the clinician and IT experience
- Solve the pervasive integration problem
- Amalgamate images, reports and non-DICOM in one solution
- Reduce heavy hardware that doesn't scale and monopolizes IT resources
- Help the enterprise manage inevitable technology changes
- Eliminate viewer software downloads of any kind

- Enable a cost-effective way to grow the viewing experience from enterprise viewing to diagnostic radiology reading in a single platform
- Show the value in how Mach7 takes the customer on a journey with a platform that grows with them
- Allow multi-vendor convergence and 3rd party system integration

There is NO other platform like Mach7's image viewing and image data management platform in the world today as they are all designed with the opposite approach.

- Mach7 is recognized for its patient-centric clinical platform with proven interoperability and functional flexibility designed with an Application-Independent Clinical Archive (AICA)
- Architecture allowing providers to manage access to disparate types of unstructured content among multiple clinical specialties, across the entire integrated clinical delivery network.
- Providing access to the capabilities of Enterprise Imaging platform through a Clinically Intelligent "Service Oriented Architecture (SOA)" supporting numerous Clinical Outcomes based on standards and formats across Multi-Disciplinary Specialties.
- The Mach7 architecture provides Clinical Workflow Intelligence, and standards-based communications, speed and security over standard protocols (DICOM, HL7, XDS...) for Multi-Disciplinary cross-communication of medical imaging data to the Data Services Platform.

- Mach7's Enterprise Imaging solution offers a data services platform that simplifies the consolidation, replacement, and adoption of technologies that enhance clinical outcomes. The solution also delivers a standards-based interface for clinical apps to access and exchange patient data from across enterprise data sources. The result is the liquidity of patient data, the reduction of redundant technologies, and the ability to replace underlying technologies at a lower cost without disrupting patient care.
- Mach7 compliments the EMR, leveraging unique data services capabilities to enable EMR interoperability and to extend the capabilities on and beyond the scope of the EMR.
- The platform provides the ability to consolidate disparate clinical silos into a single unified picture of the patient record, for both structured EMR driven data and unstructured clinical media inclusive of images, videos, and audio clips.
- Provides an extendible ecosystem of applications that delivers clinical outcomes. Through both standards based and proprietary interfaces, leverage the one Platform to enable a regional clinical applications ecosystem.
- Incorporates unprecedented image data management intelligence which centralizes access, sharing, and the exchange of clinical media across institutions while maintaining localized control through a federated architecture.



# THE MACH7 ENTERPRISE IMAGING SOLUTION

## – PRODUCT SUITE

The Mach7 Enterprise Imaging Solution provides an industry differentiated diagnostic enterprise viewing, workflow orchestration and image data management platform. The Enterprise Imaging Solution provides a robust and comprehensive suite of applications, tools and services to meet today's diverse healthcare IT and clinical care challenges. The Platform consists of the following:

### eUnity SMARTviewer

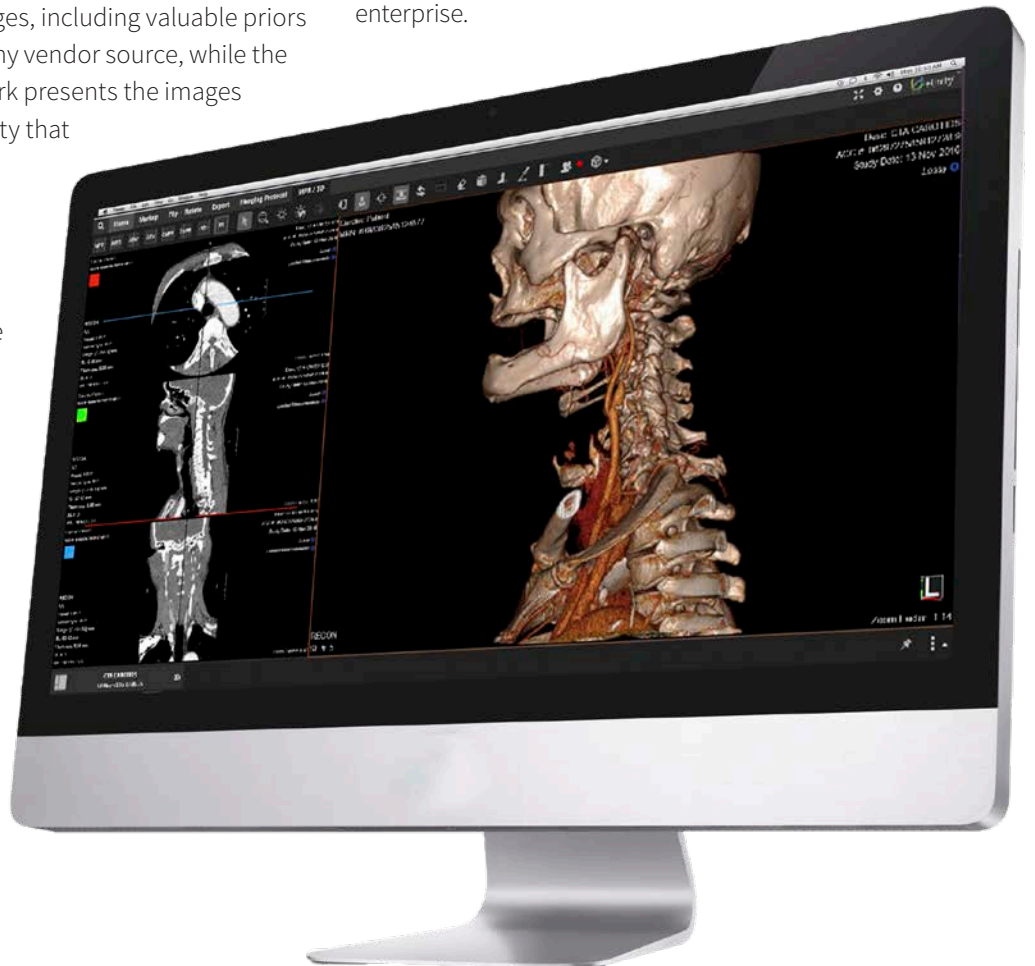
eUnity is a unique zero-footprint viewing and integration software platform that sets the foundation for a boundary-less, unrestricted enterprise where all users have single access to diagnostic imaging data from any source, to view on any web-enabled device and from any location.

Its back-end integration engine is the power that knows where and how to find images, including valuable priors and clinical content from any vendor source, while the front-end viewing framework presents the images with superlative functionality that meets the distinct clinical performance needs of multidisciplinary users.

The outcome: Mach7's eUnity SMARTviewer can be used for enterprise viewing by all clinicians, referring physicians and specialists, as well as diagnostic reading by radiologists including sub-specialties like mammography. These multi-tasking capabilities

position it as an essential component in a vendor-neutral enterprise strategy that strives to make flexibility its hallmark.

eUnity SMARTviewer offers rich features such as MIP/MPR and 3D, advanced hanging protocols, and full support for multiple monitors. The user can consistently load and review images the same way every time and can match the PACS reading environment throughout the enterprise.



### VENDOR NEUTRAL ARCHIVE (VNA)

Organizations can consolidate storage, simplify access, increase data integrity, heighten security, and image-enable their EMR by owning and controlling their images and data with Mach7 Vendor Neutral Archive (VNA).

### COMMUNICATION WORKFLOW ENGINE (CWE)

With sophisticated rules-based logic, image data can be systematically routed to locations where interpretations are to be performed. Communication between systems uses established standards, and the Platform enables fetching of prior images for improved diagnosis.

## PATIENT AND CLINICAL PORTAL

Leveraging the Mach7 Portal's universal zero-footprint clinical image viewer, patients and physicians can access and share medical images and data over the web regardless of the media format. The portal allows users to easily import and export images, eliminating the need for CDs.



## MOBILE IMAGE CAPTURE

Capturing non-DICOM images is of growing importance to healthcare organizations as point-of-care services become more prevalent. Mach7's mobile app, iModality, allows users to capture these images and store them seamlessly in the archive.

## MIGRATION SERVICES

One of the most intimidating stages in adopting a new solution is migrating immense quantities of archived data. Mach7 makes it easy and cost-effective with our powerful Migration Engine.



## QUALITY CONTROL (QC)

With Mach7 QC, technologists are empowered with all the robust tools they need to view, modify, verify, print, and export studies from one centralized system without the need to log in to their PACS.



## PATIENT AND ORDER MANAGEMENT

Designed for locations without access to patient and order information, this module allows users to manually create patients and orders associated with specific locations. This information is then linked to studies before being sent to the EMR or RIS.

## IMAGE SHARING

Mach7 Image Sharing keeps providers connected and engaged with a comprehensive and transparent view of patient data where and when it is needed, across enterprises and regions, without limitations.

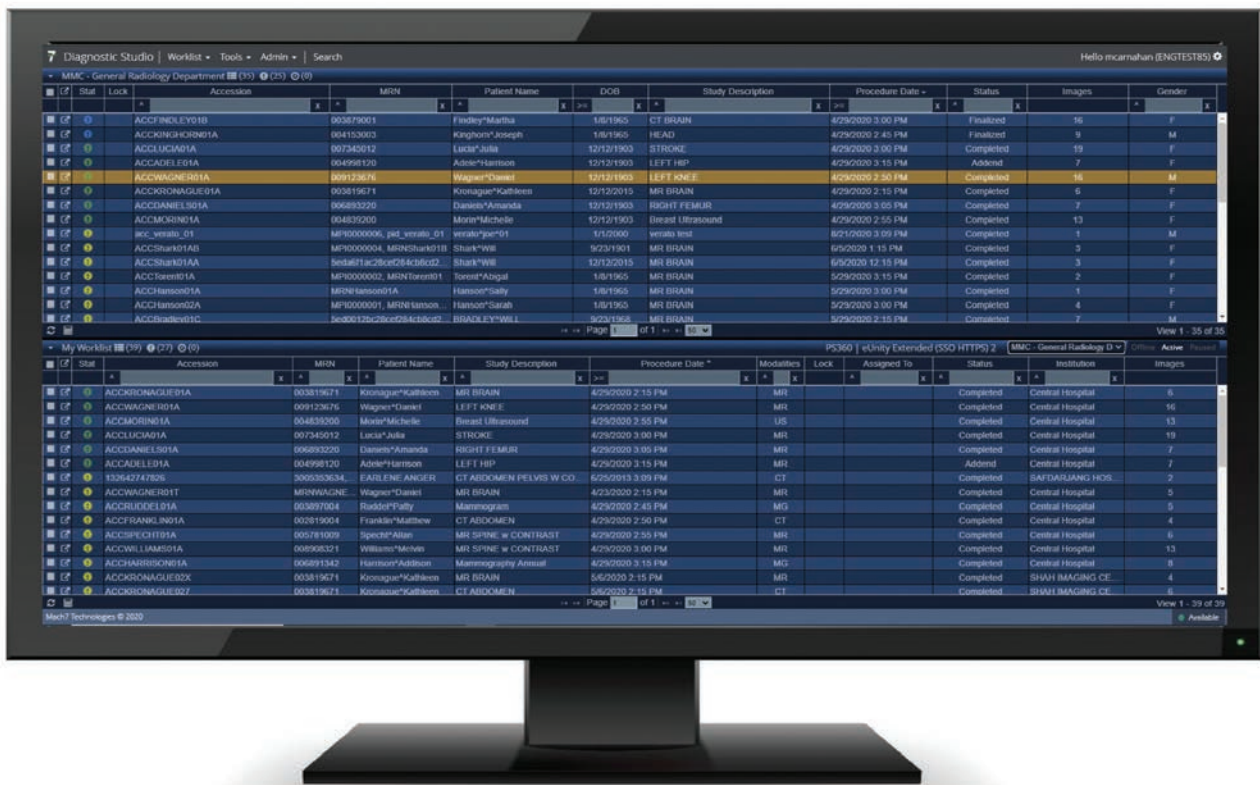
## MACH7 UNIVERSAL WORKLIST

The Mach7 Universal Worklist personalizes radiologist workflow with automated reading assignments directed to the most appropriate physician, with the identification of priors that learns and weights relevancy, and with the ability to normalize terminologies that ensure hanging protocols work with consistency. The Mach7 Universal worklist was developed to deliver physician efficiencies.

Designed initially to service complex multi-site health systems and imaging center groups, the Mach7 Universal Worklist ensure patient procedures, regardless of acquiring site and PACS, are delivered to the most appropriate radiologist and integrated clinical tools.

Advanced interoperability capabilities launch and manage clinical context across any number of viewers, reporting, and AI solutions leveraging an unlimited number of monitors.

The ability to visualize workflow of an entire imaging enterprise in real time provides actionable insights to proactively manage imaging operations. Data can be leveraged across the enterprise to establish baselines, identify locations and patterns of delays, and oversee the progress being made toward improving efficiency and productivity. All these data points are leveraged to help drive improved patient and physician satisfaction.



## ENTERPRISE PACS

The Mach7 Enterprise Imaging Platform offers a next-generation PACS that healthcare organizations are clamoring for amid challenges like rising costs, interoperability standardization, image data management, clinical intelligence, workflow management, and more.

Mach7's eUnity diagnostic SMARTviewer, combined with the workflow orchestration and vendor neutral archiving components, is a modernized advanced technology replacement for any legacy PACS system. The Mach7 Enterprise PACS offers healthcare providers

with the tools to deliver higher quality care and provide a better return on investment through software updates and near-limitless scalability.

Enterprise PACS gives organizations the tools they need to grow their clinical IT ecosystems and adopt promising future technologies like machine learning and artificial intelligence algorithms for analytics, assisted diagnosis, and more. The Mach7 solution provides consistency, stability, and redundancy to healthcare IT, and futureproofs the enterprise against changes in structure and regulations with a flexible platform that can adapt to nearly any enterprise need.





# BOARD OF DIRECTORS AND COMPANY SECRETARY



**MIKE LAMPRON**  
**CEO, MANAGING**  
**DIRECTOR**

**(Director since 20 June 2019)**

Mr. Mike Lampron is the CEO and Managing Director of Mach7 Technologies. With over 20 years of experience in business and operational management for Healthcare IT companies, Mike brings a broad experience ranging from private start-up organizations as well as long established companies such as IBM and GE. Mike was previously the Chief Executive Officer for a National Teleradiology Company and has a proven ability to drive results through a combination of astute analysis, innovative execution and cross-functional teamwork. Mike is responsible for our customers' success while driving excellence throughout Mach7.

**Other current listed company Directorships:** None.



**ELIOT SIEGEL, MD**  
**NON-EXECUTIVE**  
**DIRECTOR**

**(Director since 3 August 2018)**

Dr. Siegel is a well-known thought leader in the world of radiology and imaging informatics and artificial intelligence applications in medicine. He is currently Professor and Vice Chair of information systems at the University of Maryland School of Medicine, Department of Diagnostic Radiology, and the Chief of Radiology and Nuclear Medicine for the Veterans Affairs Maryland Healthcare System, both in Baltimore, MD as well as adjunct professor of computer science and biomedical engineering at the undergraduate campuses of the University of Maryland. Under his guidance, the VA Maryland Healthcare System became the first filmless healthcare enterprise in the World. He has written over 300 articles and book chapters about PACS (Picture Archiving and Communication Systems) and digital imaging, and has edited six books on the topic, including Filmless Radiology and Security Issues in the Digital Medical Enterprise. He has given more than 1,000 presentations throughout the world on a broad range of topics involving the use of computers in medicine and artificial intelligence. Dr. Siegel was symposium chairman for the Society of Photo-optical and Industrial Engineers (SPIE) Medical Imaging Meeting for three years and has been honoured as a fellow in that organization as well as the American College of Radiology. He is also a Board member of Carestream Health, a billion-dollar global company in digital radiography and computed radiography systems and serves on numerous advisory boards in medical imaging.

**Other current listed company Directorships:** None.



**DAVID CHAMBERS**  
**CHAIRMAN**

**(Director since 3 August 2018)**

Mr. David Chambers has more than 30 years' extensive experience in the Healthcare and Life Science industry and a proven track record in healthcare IT systems through a series of senior executive roles in Australia, North America, Europe, and Asia. David up until recently acted as Managing Director, Asia-Pacific, of Allscripts Healthcare Solutions, a NASDAQ listed billion-dollar global leader in Healthcare Technology, retiring after close to seven years, on 30th June 2020. Prior to that David was General Manager, Asia and ANZ with Carestream Health. He was former chief executive of ASX-Listed health software business Pro Medicus Limited. David also served eleven years with Agfa Healthcare, including managing their Informatics group in Asia Pacific, and culminating in his elevation to Vice President of Agfa North America.

**Other current listed company Directorships:** Hills Limited (ASX:HIL)



**ROBERT BAZZANI**  
**NON-EXECUTIVE**  
**DIRECTOR**

**(Director since 1 January 2020)**

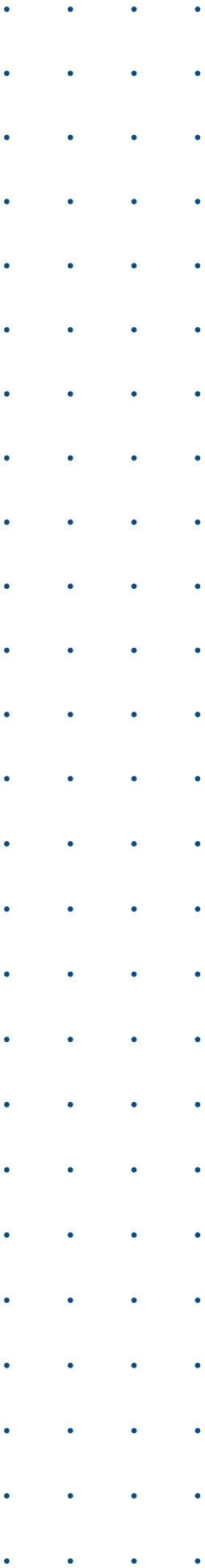
Mr. Robert Bazzani has spent over 20 years with the global consulting firm KPMG, where he rose to the top and served as Chairman of KPMG Victoria, National Managing Partner for KPMG Australia's Enterprise Division and National Managing Partner for KPMG's M&A Division. Whilst in these roles, Rob was a member of KPMG's National Executive Committee (NEC), which oversees and is responsible for the Firm's turnover, strategic decision making, profitability and operations. Rob has a demonstrated track record of leading and growing large scale and complex businesses. He has played a significant role in advising clients (public, private, and global subsidiaries) on commercial matters, public transitions, corporate governance, M&A and has engaged with Government and Regulators. With extensive experience in corporate advisory, Rob has deep commercial and industry knowledge across financial services, asset and wealth management, property, insurances and consumer & industrial markets.

**Other current listed company Directorships:** Class Ltd (ASX:CL1).



**JENNIFER PILCHER**  
**COMPANY SECRETARY,**  
**CFO**

Prior to joining Mach7, Jenni spent nine years as a CFO and Company Secretary of ASX-listed biotechnology companies, including Alchemia and Mesoblast. Prior to joining Mesoblast, Jenni spent six years with ASX 200 Company, Spotless Group in senior finance roles. Internationally, Jenni has worked in the finance teams at Cadbury Schweppes plc. and international pharmaceutical group Medeva plc., based in London, United Kingdom. Jenni is a qualified Chartered Accountant, and has completed the Graduate Diploma of Applied Corporate Governance.



# Financial Report 2019/20

# DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2020

The directors of Mach7 Technologies Ltd submit their report for the year ended 30 June 2020.

## DIRECTORS AND COMPANY SECRETARY

The following persons were Directors or Company Secretary of the Company at any time during the current financial year, or since 30 June 2020 up to the date of this report:

|                            |  |
|----------------------------|--|
| <b>Mr David Chambers</b>   | Chairman   |
| <b>Eliot Siegel, MD</b>    | Non-Executive Director   |
| <b>Mr Robert Bazzani</b>   | Non-Executive Director (Appointed 1 January 2020)                                  |
| <b>Mr Damien Lim</b>       | Non-Executive Director (Retired 1 January 2020)                                    |
| <b>Mr A. Wayne Spittle</b> | Non-Executive Director (Retired 11 November 2019)                                  |
| <b>Mr Michael Lampron</b>  | Managing Director  |
| <b>Ms Jennifer Pilcher</b> | Executive Director (for the period 11 November 2019 to 31 December 2019 inclusive) |
| <b>Ms Jennifer Pilcher</b> | Company Secretary  |

## INFORMATION OF DIRECTORS

Directors' and the Company Secretary qualifications, experience, special responsibilities and period in office are set out in the section of this document entitled "Board of Directors and Company Secretary" on pages 15-16.

## DIRECTORS' RELEVANT INTEREST IN MACH7 TECHNOLOGIES LIMITED SECURITIES

The directors' interests in the shares and options of Mach7 Technologies Limited at 30 June 2020 were:

| Director                  | Ordinary Shares No. | Options No. |
|---------------------------|---------------------|-------------|
| <b>Mr David Chambers</b>  | 42,399              | 260,000     |
| <b>Eliot Siegel, MD</b>   | -                   | 250,000     |
| <b>Mr Robert Bazzani</b>  | -                   | 225,000     |
| <b>Mr Michael Lampron</b> | 29,000              | 1,450,000   |

## COMMITTEE MEMBERSHIP

As at the date of this Report, the Group had an Audit & Risk Management Committee and a Remuneration & Nomination Committee. Members acting on the committees of the Board during the year were:

|                            | Audit & Risk Management                      | Remuneration & Nomination                                |
|----------------------------|--|--|
| <b>Mr David Chambers</b>   | Member                                       | Member & Chair (from 26 Nov 2019)                        |
| <b>Eliot Siegel, MD</b>    | Member & Chair (11 Nov. 2019 to 1 Jan. 2020) | Member   |
| <b>Mr Robert Bazzani</b>   | Chair (from 1 Jan. 2020)                     | Member (from 1 Jan. 2020)                                |
| <b>Mr Michael Lampron</b>  | Member                                       | Member   |
| <b>Mr Damien Lim</b>       | Member (until 1 Jan. 2020)                   | Chair (until 26 Nov. 2019)<br>Member (until 1 Jan. 2020) |
| <b>Mr A. Wayne Spittle</b> | Chair (until 11 Nov. 2019)                   | Member (until 11 Nov. 2019)                              |

## DIRECTORS' MEETINGS

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director are as follows:

|                             | Board              |          | Audit & Risk Management Committee |          | Remuneration & Nomination Committee |          |
|-----------------------------|--------------------|----------|-----------------------------------|----------|-------------------------------------|----------|
|                             | Eligible to attend | Attended | Eligible to attend                | Attended | Eligible to attend                  | Attended |
| <b>Mr David Chambers</b>    | 17                 | 17       | 2                                 | 2        | 2                                   | 2        |
| <b>Eliot Siegel, MD</b>     | 17                 | 15       | 2                                 | 2        | 2                                   | 2        |
| <b>Mr Robert Bazzani</b>    | 11                 | 11       | 1                                 | 1        | -                                   | -        |
| <b>Mr Michael Lampron</b>   | 17                 | 17       | 2                                 | 2        | -                                   | -        |
| <b>Mr Damien Lim</b>        | 5                  | 3        | 1                                 | 1        | 2                                   | 2        |
| <b>Mr A. Wayne Spittle</b>  | 3                  | 3        | 1                                 | 1        | -                                   | -        |
| <b>Mrs Jennifer Pilcher</b> | 2                  | 2        | -                                 | -        | -                                   | -        |

## DIVIDENDS

Mach7 Technologies Limited did not declare or pay any dividends during the financial year (2019: nil).

## PRINCIPAL ACTIVITIES

The principal activity of the Group during the year was the provision of enterprise imaging data sharing, storage and interoperability for healthcare enterprises globally.

## OPERATING AND FINANCIAL REVIEW

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

- Financial position
- Review and results of operations
- Business strategies and prospects for future years
- Business risks to achieving corporate strategy

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

### FINANCIAL POSITION

The following table provides a snapshot of important balances from the Group's statement of financial position as at 30 June:

| CONSOLIDATED   | As at        | As at        | Movement |
|--|--------------|--------------|----------|
|  | 30 June 2020 | 30 June 2019 |          |
|  | \$           | \$           | %        |
| Cash (including all cash deposits)                         | 48,874,210   | 2,267,448    | 2055%    |
| Deferred revenue - yet to be recognised                    | (2,777,482)  | (3,478,189)  | (20%)    |
| Net current assets / (liabilities)                         | 46,895,451   | 729,013      | 6333%    |
| Intangible assets net of associated deferred tax liability | 5,505,381    | 8,382,384    | (34%)    |
| Net assets   | 53,466,728   | 10,365,220   | 416%     |

### CASH & CASHFLOWS

The Group reported cash balances as at 30 June 2020 of \$48.9 million (2019: \$2.3 million). The increase of \$46.6 million is largely attributable to funds raised from investors of \$42.6 million and positive free cash flow generated for the year of \$4.7 million (2019: -2.9 million). Mach7 met its stated target and delivered its first (since listing) positive free cash flow result.

### DEFERRED REVENUE

The Group's deferred revenue balance decreased by \$0.7 million (20%) to \$2.8 million from the prior year (2019: \$3.5 million). Deferred revenue represents cash amounts that have been collected from customers that will be recognised as revenue in a future period as and when the professional services and/or support services are performed. This balance is a non-cash liability and consequently does not affect future cash flows.

### NET CURRENT ASSETS

The Group reported positive net current assets at 30 June 2020 of \$46.9 million (2019: \$0.7 million). The increase in net current assets of \$46.2 million (6340%) is largely attributable to two capital raises conducted during the current year which contributed \$41.1 million (after costs) to cash reserves.

### NET ASSETS

The Group reported positive net assets balance at 30 June 2020 of \$53.5 million (2019: \$10.4 million). The increase in net assets of \$43.1 million (416%) can be attributed to the increase in cash reserves, which is offset by the amortisation of intangible assets and associated deferred tax liability of \$2.9 million during the current year. These intangible asset and deferred tax balances will be fully amortised by 30 June 2023.

## REVIEW AND RESULTS OF OPERATIONS

### PROFITABILITY

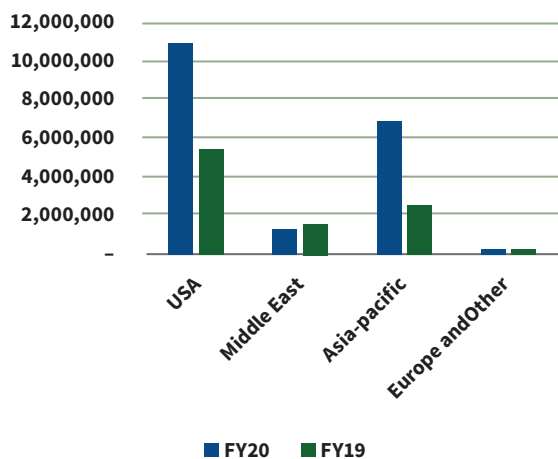
The Group has reported its first full year profitable result, of \$0.2 million profit after tax (2019: loss \$7.1 million), and \$3.3 million of Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) (2019: loss 4.1 million). This significant increase in profitability is largely due to the increase in revenues during the year which are described in the next section.

| CONSOLIDATED  | 2020              | 2019               | Movement    |
|---|-------------------|--------------------|-------------|
|   | \$                | \$                 | %           |
| Revenues  | 18,862,201        | 9,347,146          | 102%        |
| Distributor fees  | (2,408,133)       | (1,610,483)        | 50%         |
| Gross Margin  | <b>16,454,068</b> | <b>7,736,663</b>   | <b>113%</b> |
| Operating expenses (excluding share-based payments)                       | (12,730,463)      | (11,502,902)       | 11%         |
| Share-based payments (non-cash)   | (702,630)         | (195,538)          | 259%        |
| Other income / (expenses) net   | 293,479           | (108,458)          | (371%)      |
| <b>Earnings Before Interest, Tax, Depreciation, Amortisation (EBITDA)</b> | <b>3,314,454</b>  | <b>(4,070,235)</b> | (181%)      |
| Interest expense  | (43,695)          | (45,246)           | (3%)        |
| Depreciation and amortisation charges (non-cash)                          | (3,865,446)       | (3,707,228)        | 4%          |
| Income tax benefit (non-cash)   | 763,980           | 763,980            | 0%          |
| <b>Net profit/(loss) after tax</b>  | <b>169,293</b>    | <b>(7,058,729)</b> | (102%)      |

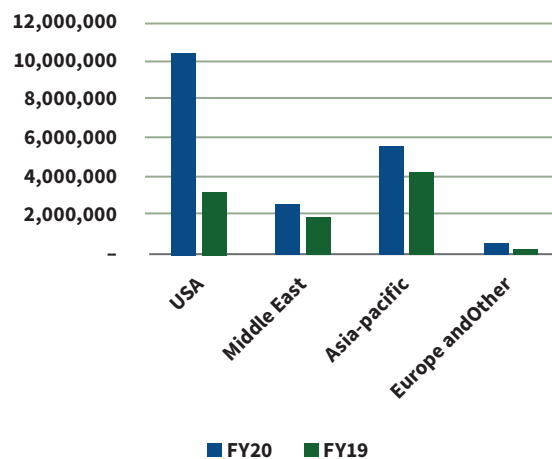
### REVENUE FROM CONTINUING OPERATIONS

The Group reported revenue from operations for the current year of \$18.9 million (2019: \$9.3 million), a significant increase of \$9.6million (102%). The following charts depict revenue by region and category for the current and prior years:

#### Revenue by Region



#### Revenue by Category A\$



## UNITED STATES

The US performed strongly in the current year, contributing \$10.9 million (58%) of revenues (2019: \$7.6 million). This included \$3.0 million from software license fees sold to Advocate Aurora Healthcare. This region contributed \$4.8 million of recurring revenue in the current year (2019: \$3.2 million). Importantly, the US contributed \$0.9 million in software license renewals and expansion fees, a growing source of revenue for the Group.

## REST OF WORLD

The Asia-pacific region contributed a significant \$6.8 million (36%) of revenue for the current year (2019: \$1.8 million). The growth in this region was due to software and service fees being recognised from the Hospital Authority Hong Kong contract signed in the prior year, and St. Teresa's Hospital (Hong Kong) signed this year.

The Middle East region contributed \$1.2 million (6%) of recurring revenue (support fees) to the Group (2019: \$1.0 million). The Group recently recontracted with Hamad Medical Centre in Qatar for a further five years of annual support.

## CONTRACTED ANNUAL RECURRING REVENUE (CARR)

CARR is an important performance indicator for the Group, representing the amount of annual recurring support and maintenance fees, and subscription fees, that are currently under contract. CARR has increased by 14% from \$7.9 million to \$9 million at 30 June 2020. This means, once all customers reach "first productive use" (FPU) stage, the Group will recognise \$9 million annually in support fees from its existing customers. Typically, every new sales order has a support contract component and will add to this CARR balance. The increase in CARR reflects continued successful deployment of Mach7 software to customers around the world.

## OPERATING EXPENSES FROM CONTINUING OPERATIONS

The Group reported operating expenditure (excluding share-based payments) for the year of \$12.7 million (2019: \$11.5 million), an increase of \$1.2 million (10%) over the prior year. Operating expenses for the current year included \$0.8 million of one-off acquisition related fees for the acquisition of Client Outlook Inc. which closed on 13 July 2020.

## BUSINESS STRATEGIES AND PROSPECTS FOR FUTURE YEARS

The Group continues to focus on gaining market share in the enterprise imaging market. On 13 July 2020, the Group purchased Client Outlook Inc, whose eUnity product is a unique zero-footprint viewing and integration platform distinguished as healthcare's first "Smartviewer". By combining Mach7's suite of solutions (including Mach7's vendor neutral archive (VNA), universal worklist, and workflow engine) with the industry-leading eUnity diagnostic and enterprise viewer, the Group will provide one integrated end-to-end platform for the entire healthcare enterprise. The Group will continue to focus on the U.S., Middle East and Asia regions.

The Group has met its stated target of achieving free cashflow breakeven for 12 months and has reported its first full year EBITDA positive result this current year. The Group will continue to drive revenue and earnings growth going forward.

The Group continues to invest in internal product development and innovation, with a major focus on enterprise imaging and interoperability. Mach7 prides itself on providing a leading-edge product to its customers and product development remains a core focus of the Group.

## KEY BUSINESS RISKS

The Group's operations are subject to a number of risks. The Board, through its Audit and Risk Management Committee, regularly reviews the possible impact of these risks and seeks to minimise this impact through a commitment to its corporate governance principles and its various risk management functions. A number of specific risk factors that may impact the future performance of the Company are described below.

Shareholders should note that this list is not exhaustive, and only includes risks that could affect the Group's financial prospects, taking into account the nature and business of the Group and its business strategy.

### a) Commercialisation and new technology risk

The principal activity of the Group is the provision of enterprise imaging data storage sharing, storage and interoperability for healthcare enterprises. There is a risk that the Group will be unable to attract sufficient customers to be sufficiently profitable to fund future operations. In addition, commercial success of new technology is subject to inherent uncertainty due to unknown variables.





### **b) Competition and new technologies**

The industry in which the Group is involved is subject to increasing domestic and global competition which is fast-paced and fast-changing. Whilst the Group will undertake all business decisions and operations with reasonable care and diligence, it will have no influence or control over the activities or actions of its competitors, whose activities or actions may positively, or negatively affect the operating and financial performance of its business. For instance, the image management platform may be superseded by new and cheaper technology creating competitive pressures, in which case, the Group's revenues and profitability could be adversely affected.

### **c) Risks associated with the regulatory environment**

The Group operates in a highly regulated market both in Australia and internationally. Success can be impacted by changes to the regulatory environment. Mach7 continues to monitor changes and proposed changes to the regulatory environment to which it is exposed.

## **RISK MANAGEMENT**

The Board takes a proactive approach to risk management. The Board oversees the Audit and Risk Management Committee, which is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Group's objectives and activities are aligned with the risks and opportunities identified by the Board.

## **SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

There have been no significant changes in the state of affairs of the Group.

## **EVENTS OCCURRING AFTER BALANCE DATE**

On 14 July 2020, the Group announced the acquisition of Client Outlook Inc. – an enterprise viewing solutions company (Acquisition) for a purchase price of \$40.9 million (before working capital and debt items). The Acquisition was paid for in cash, funded by a capital raise of \$34.8 million (before costs) and existing cash reserves. Refer note 34 in the notes to the financial statements for further detail.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and it is not practicable to estimate the potential impact, positive or negative, after the reporting date.

The situation is rapidly developing and is dependent on measures imposed by the U.S. Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

## **LIKELY DEVELOPMENTS AND EXPECTED RESULTS FROM OPERATIONS**

The Group will continue to announce material contract wins as and when they occur. In addition, it will aim to grow its revenues from smaller product sales via its customer install base and community hospitals, which the Group will endeavour to keep the market updated on a regular basis. The Group will continue its product development strategy to ensure its product is at the forefront of medical imaging software to meet the customers' needs.

## **ENVIRONMENTAL REGULATION**

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

# REMUNERATION REPORT

This Remuneration Report forms part of the Directors' Report and outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations.

## KEY MANAGEMENT PERSONNEL (KMP)

For the purposes of this report, Key management personnel (KMP) are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group. The KMP included in this report are as follows:

| Non-executive Directors (NED) | Role                                | Period covered for remuneration |
|-------------------------------|-------------------------------------|---------------------------------|
| Mr David Chambers             | Independent, Non-Executive Chairman | Full year                       |
| Eliot Siegel, MD              | Independent, Non-Executive Director | Full year                       |
| Mr Robert Bazzani             | Independent, Non-Executive Director | From 1 January 2020             |
| Mr Damien Lim                 | Independent, Non-Executive Director | 1 July 2019 to 31 December 2019 |
| Mr A. Wayne Spittle           | Independent, Non-Executive Director | 1 July 2019 to 11 November 2019 |

| Executives    |   |           |
|---------------|---|-----------|
| Mike Lampron  | CEO, Managing Director                      | Full year |
| Ravi Krishnan | Founder, Chief Strategy Officer             | Full year |
| Jenni Pilcher | Chief Financial Officer & Company Secretary | Full year |

## REMUNERATION PHILOSOPHY

The performance of the Group depends on the quality of its directors and executives. The Group's remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

## REMUNERATION STRUCTURE

The Board, through its Nomination and Remuneration Committee, is responsible for determining and reviewing remuneration arrangements for the Group's directors and executives. In accordance with best practice corporate governance, the structure of Non-Executive Directors and executive remunerations are separate.

## PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and value creation for shareholders, and conforms to the market best practice for the delivery of reward.

The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation; and
- transparency.

The Board has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Company. The framework is designed to:

- a) ensure that coherent remuneration policies and practices are observed which enable the attraction and retention of directors and management who will create value for shareholders;
- b) fairly and responsibly reward directors and senior management having regard to the Group's performance, the performance of the senior management and the general pay environment; and
- c) comply with all relevant legal and regulatory provisions.

## NON-EXECUTIVE DIRECTORS' REMUNERATION FRAMEWORK

### Objective

Remuneration for Non-Executive Directors is set with the objective of attracting and retaining highly experienced and skilled directors, and which reflect the demands and responsibilities of their role.

### Structure

The financial position of the Company is considered when determining the mix between cash and non-cash remuneration. Non-Executive Directors' fees and payments are reviewed annually by the Board. The Board may, from time to time, seek advice from independent remuneration consultants to ensure Non-Executive Directors' fees and payments are appropriate and in line with market standards. Remuneration for Non-Executive Directors (NEDs) may contain any or all of the following:

- Annual fees, reflecting the value of the individual's personal performance, time commitment and responsibilities of the role;
- Equity based remuneration, issues of shares or securities, reflecting the contribution of the Director toward the Group's medium and long term performance objectives (each award is subject to shareholder approval);
- Other benefits required by law, for example, superannuation payments.

All non-executive directors enter into a service agreement with the Company in the form of a letter of

appointment. The letter summarises the board policies and terms, including remuneration, relevant to the office of director.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. Following the adoption of a new Company Constitution on 31 March 2016, the aggregate remuneration for all non-executive directors has been set at a maximum amount of \$500,000 per annum under clause 50 (a) of the Company's Constitution.

The fees awarded to Directors are as follows:

| Base fee | From 1 January 2020 | From 11 November 2017 |
|----------|---------------------|-----------------------|
| Chair    | \$65,000            | \$25,000*             |
| Director | \$45,000            | \$20,000*             |

\*Applies to Wayne Spittle and Damien Lim only. Directors appointed from August 2018 were not paid Directors Fees until 1 January 2020.

## EXECUTIVE REMUNERATION FRAMEWORK

### Objective

The Consolidated Entity aims to reward executives with a level and mix of remuneration based on their position and responsibility, which has both fixed and variable components.

### Structure

#### Fixed remuneration

Fixed remuneration is set with reference to the skills, experience and performance of the individual performing the role, comparable market remuneration for the role being performed, and the overall size and financial position of the Group as a whole. Fixed remuneration is reviewed annually by the Board (via its Nomination and Remuneration Committee).

Fixed remuneration for key management personnel includes the following:

- Annual base salary
- Benefits in compliance with local laws (e.g. paid leave, medical insurance and superannuation payments)

### **Performance-based (variable) remuneration**

Performance-based remuneration for key management personnel includes:

- Bonuses to reward individuals following an outstanding business contribution having regard to clearly specified performance targets
- Sales commission (sales executives only)
- Equity based remuneration, reflecting the Group's medium and long-term performance objectives.

The Group has both a short-term incentive program (STIP) and a long-term incentive plan (LTIP).

### **SHORT-TERM INCENTIVE PROGRAM (STIP)**

#### **Objective**

The STIP is designed to align corporate and departmental goals with the targets of executives responsible for meeting those goals. STI payments are granted to executives based on the achievement of specific annual targets/key performance indicators (KPI's). KPI's can include (but are not necessarily limited to) the following elements:

- Achievement of financial targets (e.g. revenue, earnings/profitability, cash flows, sales orders, budgeted operating expenses)
- Excellence in customer service and satisfaction
- Leadership contribution
- Product development
- Capital management
- Corporate transactions

#### **Description of the plan**

The STIP is an annual incentive plan under which senior executives are eligible to receive an annual award if they satisfy challenging strategic, operational and individual performance targets. Senior executives will be entitled to a STIP award up to a maximum fixed percentage of their annual fixed remuneration. The maximum amount will differ between individuals. The STIP was most recently approved by the Board in April 2016.

#### **Appropriate STIP incentive**

The STI plan is designed to motivate and reward high performance. It puts a significant proportion of the executive's remuneration at-risk against targets linked to the Group's performance objectives, thereby aligning executive's interests with shareholders.

### **Choice of performance conditions**

The choice of performance conditions for the STIP will be relevant to the Group in its current phase of growth and will be heavily focussed on financial metrics, such as revenue, earnings, cash flow, and sales orders targets. The Directors believe these targets are most closely aligned with growing shareholder value. In addition, the performance conditions will be set with relevance to the individuals' role, such that the person is appropriately incentivised and motivated to achieve the best they can.

### **Performance period**

The STIP is an annual plan. The current period is for 1 July 2019 to 30 June 2020.

### **Performance conditions – current year**

Any payment made under the STIP is on the basis that performance conditions are met. For the current period, performance conditions were outlined in a business plan approved by the Board in March 2019 and included (in general):

- top-line sales growth
- reach profitability
- achieve cash flow sustainability, and be cash flow neutral across the next 12-month period
- corporate merger & acquisition outcome
- commercial sales and marketing objectives

### **Assessment of performance conditions**

Financial targets as assessed by the Board with reference to annual financial statements and sales order information. For non-financial and individual targets, the Board assesses the personal performance of each executive against non-financial and personal performance of other Executives and makes recommendations to the Remuneration and Nomination Committee in relation to the payment of any STI. The Remuneration and Nomination Committee review these recommendations and provide a final recommendation for STI's to be paid to the Board for its approval.

### **Payment of the STIP**

Any STI payment is generally made within two to three months of the end of the performance period. The Board may, in its discretion, vary the general payment period.



### **Cessation of employment**

The STIP provides that in order to qualify for payment to the Participant, a Participant must remain employed with a Group Company as an Eligible Employee in a full-time or permanent part-time position for all of the portion of the Performance Period specified in the Grant for the Award. If the Executive leaves for a qualifying reason, the Board, in its discretion, may award the STI in its full discretion.

### **LONG-TERM INCENTIVE PROGRAM (LTIP)**

The LTIP provides for the issue of equity instruments such as performance rights, shares and options that are linked to the achievement of targets related to the Group's medium to long-term performance. Option awards typically vest over a period of between one and three years, expire within five years and have an exercise price that may include a premium to the market price as at the date of issue. The most recent LTIP was approved by shareholders on 31 July 2018.

### **Performance conditions**

The performance conditions must be satisfied in order for performance rights or equity options to vest. Performance conditions can include time-based conditions, whereby the holder must remain employed by the Group through to vesting date, or financial targets. Each performance right or equity option entitles the holder to acquire one share in the Company for a stated exercise price, subject to meeting specific performance conditions. The performance rights and equity options do not carry rights to dividends or voting.

### **Cessation of employment**

If a KMP ceases to be employed or engaged by the Group for any reason other than as a result of a Qualifying Event, any unvested performance rights and equity options held by the participant will lapse immediately on the participant ceasing to be employed. Any vested performance rights and equity options must be exercised within 30 days of termination date. A Qualifying Event means:

- Death;
- Serious injury, disability or illness which prohibits continued employment;
- Retirement or retrenchment; or
- Such other circumstances which the Board determines to be a Qualifying Event.

Where a participant in the LTIP scheme ceases to be employed by the Group as a result of a Qualifying Event, the Board may, in its absolute discretion, make a determination as to whether some or all of those performance rights or equity options become vested at the time of the cessation of employment of the participant or another date determined by the Board.

In the event of a change of control, the Board has discretion to determine that the vesting of some or all of non-vested performance rights and equity options should be accelerated. Any remaining unvested performance rights or options will immediately lapse.

## COMPANY PERFORMANCE AND REMUNERATION

We aim to align our executive remuneration to our strategic and business objectives, which will ultimately lead to the creation of shareholder wealth. The table below shows the measures of the group's financial performance over the last five years as required by the Corporations Act 2001:

|  | 30 June | 2020    | 2019        | 2018        | 2017                | 2016                |
|--|---------|---------|-------------|-------------|---------------------|---------------------|
| <b>Profit/(Loss) for the year</b>                    |         | 169,293 | (7,058,729) | (4,953,396) | (17,659,098)        | (12,629,483)        |
| <b>Basic earnings/(loss) per share (EPS) (cents)</b> |         | 0.001   | (5.1)       | (3.9)       | (16.3) <sup>1</sup> | (24.1) <sup>1</sup> |
| <b>Improvement in EPS</b>                            |         | 5.1     | (1.2)       | 12.4        | 7.8                 | 11.9                |
| <b>Dividend payments</b>                             |         | -       | -           | -           | -                   | -                   |
| <b>Dividend payout ratio (%)</b>                     |         | -       | -           | -           | -                   | -                   |
| <b>Share price (cents)</b>                           |         | 97      | 47.5        | 21          | 16 <sup>1</sup>     | 34 <sup>1</sup>     |
| <b>% change in share price</b>                       |         | +105%   | +126%       | +31%        | -53%                | -64%                |

1. Basic earnings per share and share price data has been adjusted for the stock split (1/10) which occurred in January 2017:

## SERVICE AGREEMENTS

Remuneration and other terms of employment for executive key management personnel are formalised in service agreements. Details of these agreements are as follows:

| Component   | Requirement  |
|---|--|
| Fixed remuneration  | Various  |
| Variable remuneration   | Participation in the Company's STIP and LTIP           |
| Contract duration   | Ongoing  |
| Termination of employment (without cause) by Company or by individual | 6 months' notice (CEO) and 3 months' notice (CFO, CSO) |
| Termination of employment (for cause) by Company                      | Terminated immediately                                 |

## AMOUNTS OF REMUNERATION

**Table 1:** Remuneration for KMP for the years ended 30 June 2020 and 30 June 2019

|  | Short term    |            |                     |                       | Post-employment              | Equity-based payments |        | Total   | Performance related |
|--|---------------|------------|---------------------|-----------------------|------------------------------|-----------------------|--------|---------|---------------------|
|  | Salary & Fees | Cash Bonus | Other Cash Payments | Non-monetary Benefits | Superannuation Contributions | Options               | Shares |         |                     |
|  | \$            | \$         | \$                  | \$                    | \$                           | \$                    | \$     | \$      | %                   |
| <b>Directors (non-executive)</b>         |               |            |                     |                       |                              |                       |        |         |                     |
| <b>David Chambers – Chairman</b>         |               |            |                     |                       |                              |                       |        |         |                     |
| 2020                                     | 29,680        | -          | -                   | -                     | 2,820                        | 19,957                | -      | 52,457  | -                   |
| 2019                                     | -             | -          | -                   | -                     | -                            | 10,399                | -      | 10,399  | -                   |
| <b>Eliot Siegel</b>                      |               |            |                     |                       |                              |                       |        |         |                     |
| 2020                                     | 22,500        | -          | -                   | -                     | -                            | 18,180                | -      | 40,680  | -                   |
| 2019                                     | -             | -          | -                   | -                     | -                            | 10,399                | -      | 10,399  | -                   |
| <b>Robert Bazzani<sup>1</sup></b>        |               |            |                     |                       |                              |                       |        |         |                     |
| 2020                                     | 22,500        | -          | -                   | -                     | 2,138                        | 36,938                | -      | 61,576  | -                   |
| 2019                                     | -             | -          | -                   | -                     | -                            | -                     | -      | -       | -                   |
| <b>Damien Lim<sup>2</sup></b>            |               |            |                     |                       |                              |                       |        |         |                     |
| 2020                                     | 10,000        | -          | -                   | -                     | -                            | 1,619                 | -      | 11,619  | -                   |
| 2019                                     | 25,000        | -          | -                   | -                     | -                            | 9,389                 | -      | 34,389  | -                   |
| <b>A. Wayne Spittle<sup>3</sup></b>      |               |            |                     |                       |                              |                       |        |         |                     |
| 2020                                     | 6,646         | -          | -                   | -                     | 631                          | 1,619                 | -      | 8,896   | -                   |
| 2019                                     | 18,265        | -          | -                   | -                     | 1,735                        | 15,381                | -      | 35,381  | -                   |
| <b>Nigel Finch<sup>4</sup></b>           |               |            |                     |                       |                              |                       |        |         |                     |
| 2020                                     | -             | -          | -                   | -                     | -                            | -                     | -      | -       | -                   |
| 2019                                     | 6,666         | -          | -                   | -                     | -                            | -                     | -      | 6,666   | -                   |
| <b>Nobuhiko Ito<sup>4</sup></b>          |               |            |                     |                       |                              |                       |        |         |                     |
| 2020                                     | -             | -          | -                   | -                     | -                            | -                     | -      | -       | -                   |
| 2019                                     | 1,863         | -          | -                   | -                     | -                            | -                     | -      | 1,863   | -                   |
| <b>Sub-total Non-executive Directors</b> |               |            |                     |                       |                              |                       |        |         |                     |
| 2020                                     | 91,326        | -          | -                   | -                     | 5,589                        | 78,313                | -      | 175,228 | -                   |
| 2019                                     | 51,794        | -          | -                   | -                     | 1,735                        | 45,568                | -      | 99,097  | -                   |

1. Robert Bazzani was appointed on 1 January 2020

2. Damien Lim retired effective from 1 January 2020

3. Wayne Spittle retired effective from 11 November 2019

4. Nigel Finch and Nobuhiko retired effective from 3 August 2018

**Table 1:** Remuneration for KMP for the years ended 30 June 2020 and 30 June 2019 (continued)

|                                 | Short term       |                |                      |                       | Post-employment              | Equity-based payments |                | Total            | Performance related |
|---------------------------------|------------------|----------------|----------------------|-----------------------|------------------------------|-----------------------|----------------|------------------|---------------------|
|                                 | Salary & Fees    | Cash Bonus     | Other Cash Payments  | Non-monetary Benefits | Superannuation Contributions | Options               | Shares         |                  |                     |
|                                 | \$               | \$             | \$                   | \$                    | \$                           | \$                    | \$             | \$               | %                   |
| <b>Executives</b>               |                  |                |                      |                       |                              |                       |                |                  |                     |
| <b>Mike Lampron<sup>5</sup></b> |                  |                |                      |                       |                              |                       |                |                  |                     |
| <b>2020</b>                     | <b>409,531</b>   | <b>143,336</b> | <b>10,242</b>        | <b>37,728</b>         | <b>-</b>                     | <b>200,718</b>        | <b>61,430</b>  | <b>862,985</b>   | <b>25%</b>          |
| 2019                            | 279,603          | -              | 16,442 <sup>^</sup>  | 24,851                | 4,255                        | 38,153                | -              | 363,304          | 5%                  |
| <b>Ravi Krishnan</b>            |                  |                |                      |                       |                              |                       |                |                  |                     |
| <b>2020</b>                     | <b>335,980</b>   | <b>37,230</b>  | <b>92,726</b>        | <b>9,588</b>          | <b>15,583</b>                | <b>19,805</b>         | <b>-</b>       | <b>510,912</b>   | <b>25%</b>          |
| 2019                            | 320,103          | -              | 5,142                | -                     | 17,361                       | 40,073                | -              | 382,679          | 1%                  |
| <b>Jenni Pilcher</b>            |                  |                |                      |                       |                              |                       |                |                  |                     |
| <b>2020</b>                     | <b>309,000</b>   | <b>108,150</b> | <b>-</b>             | <b>-</b>              | <b>29,355</b>                | <b>137,886</b>        | <b>46,350</b>  | <b>630,741</b>   | <b>24%</b>          |
| 2019                            | 300,000          | -              | -                    | -                     | 28,500                       | 40,073                | -              | 368,573          | -                   |
| <b>Mike Jackman<sup>6</sup></b> |                  |                |                      |                       |                              |                       |                |                  |                     |
| <b>2020</b>                     | <b>-</b>         | <b>-</b>       | <b>-</b>             | <b>-</b>              | <b>-</b>                     | <b>-</b>              | <b>-</b>       | <b>-</b>         | <b>-</b>            |
| 2019                            | 361,602          | -              | 246,669 <sup>*</sup> | 19,265                | -                            | 72,538                | -              | 700,074          | 35%                 |
| <b>J. Eric Rice<sup>7</sup></b> |                  |                |                      |                       |                              |                       |                |                  |                     |
| <b>2020</b>                     | <b>-</b>         | <b>-</b>       | <b>-</b>             | <b>-</b>              | <b>-</b>                     | <b>-</b>              | <b>-</b>       | <b>-</b>         | <b>-</b>            |
| 2019                            | 216,233          | -              | 17,142 <sup>*</sup>  | 19,835                | 4,677                        | 10,744                | -              | 268,631          | 6%                  |
| <b>Sub-total Executives</b>     |                  |                |                      |                       |                              |                       |                |                  |                     |
| <b>2020</b>                     | <b>1,054,511</b> | <b>288,716</b> | <b>102,968</b>       | <b>47,316</b>         | <b>44,938</b>                | <b>358,409</b>        | <b>107,780</b> | <b>2,004,638</b> | <b>25%</b>          |
| 2019                            | 1,477,541        | -              | 285,395              | 63,951                | 54,793                       | 201,581               | -              | 2,083,261        | 14%                 |
| <b>Grand totals</b>             |                  |                |                      |                       |                              |                       |                |                  |                     |
| <b>2020</b>                     | <b>1,145,837</b> | <b>288,716</b> | <b>102,968</b>       | <b>47,316</b>         | <b>50,527</b>                | <b>436,722</b>        | <b>107,780</b> | <b>2,179,866</b> | <b>23%</b>          |
| 2019                            | 1,529,335        | -              | 285,395              | 63,951                | 56,528                       | 247,149               | -              | 2,182,358        | 13%                 |

5. Mike Lampron promoted to interim CEO (from COO) on 10 March 2019, and to Managing Director 24 June 2019

6. Mike Jackman departed 10 March 2019

7. Eric Rice departed 15 March 2019

\* amounts paid on termination

<sup>^</sup> sales commission



The amounts included in Table 1 above in respect of options and rights under the equity-based payments component of remuneration, represent the amortisation of the fair value at date of grant over the expected life of the option or right. The fair value of the cash settled options is measured at the grant date using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the instruments were granted.

## OPTIONS PROVIDED AS COMPENSATION

Tables 2 and 3 below discloses the number of share options granted to executives during the current and prior financial years. Share options are options over ordinary shares in Mach7 Technologies Limited, do not carry any voting or dividend rights, and only can be exercised once the vesting conditions have been met until their expiry date.

**Table 2:** Compensation options: granted during the year

| 2020              | Granted (No.)    | Grant date | Fair value per option at grant date | Exercise price | Expiry date | Vesting date(s) |
|-------------------|------------------|------------|-------------------------------------|----------------|-------------|-----------------|
| <b>Directors</b>  |                  |            |                                     |                |             |                 |
| David Chambers    | 35,000           | 18-Nov-19  | \$0.367                             | \$0.820        | 17-Nov-24   | 18 Nov. 20-22   |
| Eliot Siegel      | 25,000           | 18-Nov-19  | \$0.367                             | \$0.820        | 17-Nov-24   | 18 Nov. 20-22   |
| Robert Bazzani    | 225,000          | 18-Nov-19  | \$0.367                             | \$0.820        | 17-Nov-24   | 1 Jan. 21-23    |
| <b>Executives</b> |                  |            |                                     |                |             |                 |
| Mike Lampron      | 250,000          | 18-Nov-19  | \$0.370                             | \$0.800        | 17-Nov-24   | 01-Jul-20       |
| Mike Lampron      | 250,000          | 18-Nov-19  | \$0.347                             | \$0.950        | 17-Nov-24   | 01-Jul-21       |
| Mike Lampron      | 250,000          | 18-Nov-19  | \$0.326                             | \$1.100        | 17-Nov-24   | 01-Jul-22       |
| Jenni Pilcher     | 500,000          | 11-Oct-19  | \$0.447                             | \$0.680        | 01-Oct-24   | 1 Oct. 20-22    |
| <b>Total</b>      | <b>1,535,000</b> |            |                                     |                |             |                 |
| <b>2019</b>       |                  |            |                                     |                |             |                 |
| Mike Jackman      | 1,870,000        | 01-Aug-18  | \$0.109                             | \$0.195        | 01-Aug-22   | 01-Aug-18       |
| Mike Jackman      | 1,130,000        | 01-Aug-18  | \$0.114                             | \$0.195        | 01-Aug-22   | 01-Sep-19       |
| Mike Jackman      | 300,000          | 01-Aug-18  | \$0.090                             | \$0.400        | 01-Aug-22   | 01-Nov-19       |
| Mike Jackman      | 300,000          | 01-Aug-18  | \$0.083                             | \$0.500        | 01-Aug-22   | 01-Mar-20       |
| Mike Jackman      | 300,000          | 01-Aug-18  | \$0.077                             | \$0.600        | 01-Aug-22   | 01-May-20       |
| Mike Jackman      | 300,000          | 01-Aug-18  | \$0.059                             | \$1.000        | 01-Aug-22   | 01-Sep-20       |
| David Chambers    | 225,000          | 12-Nov-18  | \$0.153                             | \$0.244        | 12-Nov-23   | 12 Nov. 19-21   |
| Eliot Siegel      | 225,000          | 12-Nov-18  | \$0.153                             | \$0.244        | 12-Nov-23   | 12 Nov. 19-21   |
| Ravi Krishnan     | 225,000          | 17-Oct-18  | \$0.131                             | \$0.185        | 17-Oct-23   | 17 Oct. 19-21   |
| Mike Lampron      | 350,000          | 17-Oct-18  | \$0.131                             | \$0.185        | 17-Oct-23   | 17 Oct. 19-21   |
| Jenni Pilcher     | 225,000          | 17-Oct-18  | \$0.131                             | \$0.185        | 17-Oct-23   | 17 Oct. 19-21   |
| J. Eric Rice      | 500,000          | 17-Oct-18  | \$0.131                             | \$0.185        | 17-Oct-23   | 17 Oct. 19-21   |
| <b>Total</b>      | <b>5,950,000</b> |            |                                     |                |             |                 |

**Table 3:** Value of options granted and exercised, and number of options vested, during the current year

| 2020              | Vested<br>(No.) | Vested<br>(% of holding) | Value of options<br>granted <sup>1</sup> (\$) | Value of options<br>exercised <sup>2</sup> (\$) |
|-------------------|-----------------|--------------------------|---|---|
| <b>Directors</b>  |                 |                          |   |   |
| David Chambers    | 75,000          | 29%                      | 12,842  | -   |
| Eliot Siegel      | 75,000          | 30%                      | 9,173   | -   |
| Robert Bazzani    | -               | -                        | 82,553  | -   |
| Damien Lim        | 50,000          | -                        | -   | 79,333  |
| A. Wayne Spittle  | 50,000          | -                        | -   | 61,417  |
| <b>Executives</b> |                 |                          |   |   |
| Ravi Krishnan     | 255,000         | 33%                      | -   | -   |
| Mike Lampron      | 233,334         | 16%                      | 260,675                                       | -   |
| Jennifer Pilcher  | 255,000         | 19%                      | 223,650                                       | -   |
| <b>Total</b>      | <b>993,334</b>  |                          | <b>588,893</b>                                | <b>140,750</b>                                  |

1. Value is calculated at the time the options are granted (in accordance with accounting standards)

2. Value is calculated at the time the options are exercised

## REMUNERATION MIX

Table 4 below provides information on relative proportion of the components of remuneration for KMPs for the both the current and prior financial years.

**Table 4:** Relative percentages of remuneration and performance awards

|                         | % Fixed |      | % Short-term Incentive (STI) |      | % Options/Shares |      | % STI Awarded | % STI Forfeited |
|-------------------------|---------|------|------------------------------|------|------------------|------|---------------|-----------------|
|                         | 2020    | 2019 | 2020                         | 2019 | 2020             | 2019 | 2020          | 2020            |
| <b>David Chambers</b>   | 62%     | -    | -                            | -    | -                | 100% | -             | -               |
| <b>Eliot Siegel</b>     | 55%     | -    | -                            | -    | -                | 100% | -             | -               |
| <b>Robert Bazzani</b>   | 40%     | -    | -                            | -    | -                | -    | -             | -               |
| <b>Damien Lim</b>       | 86%     | 73%  | -                            | -    | -                | 27%  | -             | -               |
| <b>A. Wayne Spittle</b> | 82%     | 57%  | -                            | -    | -                | 43%  | -             | -               |
| <b>Dr Nigel Finch</b>   | -       | 100% | -                            | -    | -                | -    | -             | -               |
| <b>Nobuhiko Ito</b>     | -       | 100% | -                            | -    | -                | -    | -             | -               |
| <b>Mike Lampron</b>     | 52%     | 84%  | 25%                          | 5%*  | 23%              | 11%  | 100%          | -               |
| <b>Ravi Krishnan</b>    | 71%     | 88%  | 25%                          | 1%*  | 4%               | 11%  | 100%          | -               |
| <b>Jenni Pilcher</b>    | 54%     | 89%  | 24%                          | -    | 22%              | 11%  | 100%          | -               |
| <b>Mike Jackman</b>     | -       | 90%  | -                            | -    | -                | 10%  | -             | -               |
| <b>Eric Rice</b>        | -       | 96%  | -                            | -    | -                | 4%   | -             | -               |

## EQUITY HOLDINGS OF KMP

Options over ordinary shares held in Mach7 Technologies Limited by KMP as at 30 June 2020 are as follows:

**Table 5:** Option holdings of Key Management Personnel

|                   | Balance          | Granted as remuneration | Options lapsed   | Grant year of options lapsed | Options exercised | Balance          | Vested & exercisable |
|-------------------|------------------|-------------------------|------------------|------------------------------|-------------------|------------------|----------------------|
|                   | No.              | No.                     | No.              | FY                           | No.               | No.              | No.                  |
|                   | 01-Jul-19        |                         |                  |                              |                   | 30-Jun-20        |                      |
| <b>Directors</b>  |                  |                         |                  |                              |                   |                  |                      |
| David Chambers    | 225,000          | 35,000                  | -                | -                            | -                 | 260,000          | 75,000               |
| Eliot Siegel      | 225,000          | 25,000                  | -                | -                            | -                 | 250,000          | 75,000               |
| Robert Bazzani    | -                | 225,000                 | -                | -                            | -                 | 225,000          | -                    |
| Damien Lim        | 308,333          | -                       | (175,000)        | FY2017 & FY2018              | (133,333)         | -                | -                    |
| Allister Spittle  | 308,333          | -                       | (175,000)        | FY2017 & FY2018              | (133,333)         | -                | -                    |
| <b>Executives</b> |                  |                         |                  |                              |                   |                  |                      |
| Ravi Krishnan     | 765,000          | -                       | -                | -                            | -                 | 765,000          | 548,334              |
| Mike Lampron      | 700,000          | 750,000                 | -                | -                            | -                 | 1,450,000        | 350,001              |
| Jennifer Pilcher  | 965,000          | 500,000                 | (100,000)        | FY2017                       | -                 | 1,365,000        | 648,334              |
|                   | <b>3,496,666</b> | <b>1,535,000</b>        | <b>(450,000)</b> |                              | <b>(266,666)</b>  | <b>4,315,000</b> | <b>1,696,669</b>     |

Ordinary shares held in Mach7 Technologies Limited (number) by KMP as at 30 June 2020 are as follows:

**Table 6:** Shareholding of Key Management Personnel

|                   | Balance   | Granted as remuneration | Issued on exercise of options/vesting performance rights | Purchased/ (sold) at market value | Balance   |
|-------------------|-----------|-------------------------|--|-----------------------------------|-----------|
|                   | No.       | No.                     | No.  | No.                               | No.       |
| 2020              | 01-Jul-19 |                         |  |                                   | 30-Jun-20 |
| <b>Directors</b>  |           |                         |  |                                   |           |
| David Chambers    | 42,399    | -                       | -  | -                                 | 42,399    |
| Eliot Siegel      | -         | -                       | -  | -                                 | -         |
| Robert Bazzani    | -         | -                       | -  | -                                 | -         |
| <b>Executives</b> |           |                         |  |                                   |           |
| Ravi Krishnan     | 5,780,561 | -                       | -  | (946,124)                         | 4,834,437 |
| Michael Lampron   | -         | -                       | -  | 29,000                            | 29,000    |
| Jennifer Pilcher  | 291,668   | -                       | -  | (75,000)                          | 216,668   |

## SHARES ISSUED ON EXERCISE OF COMPENSATION OPTIONS

There were no shares issued on exercise of options granted as compensation during the period (2019: Nil).

## OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL AND THEIR RELATED PARTIES

There have been no other transactions with KMPs during the year.

## VOTING AND COMMENTS MADE AT THE MOST RECENT ANNUAL GENERAL MEETING ('AGM')

At the most recent AGM held by the Company on 11 November 2019, the remuneration report for the year ended 30 June 2019 was adopted by shareholders on a unanimous show of hands. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

**This concludes the remuneration report which has been audited**

## SHARES UNDER OPTION

Unissued ordinary shares of Mach7 Technologies Limited under option at the date of this report, together with shares issued upon exercise of options, can be found in Note 23 to the financial statements. There has been no change in options outstanding since 30 June 2020 and the date of this report.

Details of equity options granted to key management personnel and exercised during the year are set out in the Remuneration Report section of this report.

## INSURANCE AND INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Group has indemnified its directors and executives for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith. During the financial year, the Group paid a premium in respect of a contract to ensure the directors and executives of the Group against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

## INDEMNIFICATION OF AUDITORS

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

## NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in Note 31 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The directors are of the opinion that the services as disclosed in Note 30 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

## 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 page 35.

## PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings. No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

Directors' Report signed in accordance with a resolution of the directors.



### **David Chambers**

Chairman

Signed at Melbourne on 27 August 2020

**RSM Australia Partners**

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**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of the financial report of Mach7 Technologies Limited ("the Company") and its subsidiaries ("the Group") for the year ended 30 June 2020, 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

A handwritten signature in blue ink, appearing to be "RSM".

**RSM AUSTRALIA PARTNERS**

A handwritten signature in blue ink, appearing to be "R B Miano".

**R B MIANO**  
Partner

Dated: 27 August 2020  
Melbourne, Victoria

Mach7 Technologies Limited

**THE POWER OF BEING UNDERSTOOD**  
AUDIT | TAX | CONSULTING

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation



# STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

| CONSOLIDATED                         |      |                   |              |
|--------------------------------------|------|-------------------|--------------|
|                                      | Note | 2020              | 2019         |
|                                      |      | \$                | \$           |
| <b>ASSETS</b>                        |      |                   |              |
| <b>CURRENT ASSETS</b>                |      |                   |              |
| Cash and cash equivalents            | 11   | 48,874,210        | 2,267,448    |
| Trade and other receivables          | 12   | 1,636,895         | 1,886,509    |
| Customer contract assets             | 13   | 2,549,378         | 1,475,886    |
| Other current assets                 | 14   | 362,349           | 303,440      |
| <b>TOTAL CURRENT ASSETS</b>          |      | <b>53,422,832</b> | 5,933,283    |
| <b>NON-CURRENT ASSETS</b>            |      |                   |              |
| Right-of-use assets                  | 15   | 306,959           | -            |
| Plant and equipment                  | 16   | 181,285           | 187,432      |
| Investments                          | 17   | -                 | 318,016      |
| Contract deposits                    | 6    | 764,732           | 748,377      |
| Intangible assets                    | 18   | 6,944,043         | 10,585,026   |
| <b>TOTAL NON-CURRENT ASSETS</b>      |      | <b>8,197,019</b>  | 11,838,851   |
| <b>TOTAL ASSETS</b>                  |      | <b>61,619,851</b> | 17,772,134   |
| <b>LIABILITIES</b>                   |      |                   |              |
| <b>CURRENT LIABILITIES</b>           |      |                   |              |
| Trade and other payables             | 19   | 3,616,500         | 1,112,592    |
| Customer contract liabilities        | 20   | 2,777,482         | 3,478,189    |
| Interest bearing liabilities         | 21   | 133,399           | 613,489      |
| <b>TOTAL CURRENT LIABILITIES</b>     |      | <b>6,527,381</b>  | 5,204,270    |
| <b>NON-CURRENT LIABILITIES</b>       |      |                   |              |
| Interest bearing liabilities         | 21   | 187,080           | -            |
| Deferred tax liability               | 22   | 1,438,662         | 2,202,642    |
| <b>TOTAL NON-CURRENT LIABILITIES</b> |      | <b>1,625,742</b>  | 2,202,642    |
| <b>TOTAL LIABILITIES</b>             |      | <b>8,153,123</b>  | 7,406,912    |
| <b>NET ASSETS</b>                    |      | <b>53,466,728</b> | 10,365,222   |
| <b>EQUITY</b>                        |      |                   |              |
| Contributed equity                   | 23   | 101,791,997       | 58,845,390   |
| Reserves                             | 24   | 3,647,356         | 3,343,734    |
| Accumulated losses                   |      | (51,972,625)      | (51,823,902) |
| <b>TOTAL EQUITY</b>                  |      | <b>53,466,728</b> | 10,365,222   |

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 YEAR ENDED 30 JUNE 2020

|  |      | <b>CONSOLIDATED</b> |             |
|--|------|---------------------|-------------|
|  | Note | 2020<br>\$          | 2019<br>\$  |
| <b>Profit from Continuing Operations</b>   |      |                     |             |
| Revenue from customer contracts  | 6    | <b>18,862,201</b>   | 9,347,146   |
| Other income   | 7    | <b>374,841</b>      | 136,027     |
| Employee benefits & staff related expenses   | 8    | <b>(10,762,012)</b> | (9,432,876) |
| Distributor and license fees   |      | <b>(2,408,133)</b>  | (1,610,483) |
| General administration expenses  |      | <b>(699,423)</b>    | (806,921)   |
| Marketing expenses   |      | <b>(360,452)</b>    | (526,425)   |
| Professional fees  |      | <b>(1,258,172)</b>  | (481,549)   |
| Travel and related expenses  |      | <b>(353,034)</b>    | (450,669)   |
| Other expenses   | 8    | <b>(81,362)</b>     | (244,484)   |
| Finance costs  |      | <b>(43,695)</b>     | (45,246)    |
| Depreciation and amortisation  |      | <b>(3,865,446)</b>  | (3,707,228) |
| <b>Loss from continuing operations before income tax</b>   |      | <b>(594,687)</b>    | (7,822,709) |
| Income tax benefit   | 9    | <b>763,980</b>      | 763,980     |
| <b>Profit / (loss) for the year</b>  |      | <b>169,293</b>      | (7,058,729) |
| <b>Other Comprehensive Income</b>  |      |                     |             |
| Fair value loss on equity investment   |      | <b>(318,016)</b>    | -           |
| Foreign currency translation   |      | <b>(231,158)</b>    | 70,331      |
| <b>Total other comprehensive loss</b>  |      | <b>(549,174)</b>    | 70,331      |
| <b>Total comprehensive loss for the year, net of tax, attributable to equity holders of the parent</b> |      |                     |             |
|  |      | <b>(379,881)</b>    | (6,988,398) |
| Earnings per share (cents per share)   |      |                     |             |
| - Basic earnings/(loss) per share (cents)  | 10   | <b>0.1</b>          | (5.1)       |
| - Diluted earnings/(loss) per share (cents)  | 10   | <b>0.1</b>          | (5.1)       |
| 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 YEAR ENDED 30 JUNE 2020

|  | Share<br>Capital   | Share<br>Based<br>Payments<br>Reserve | Foreign<br>Exchange<br>Translation<br>Reserve | Accumulated<br>Losses | Total<br>Equity    |
|--|--------------------|---------------------------------------|---|-----------------------|--------------------|
| CONSOLIDATED                                 | \$                 | \$                                    | \$  | \$                    | \$                 |
| <b>Balances as at 30 June 2018</b>           | 55,557,122         | 3,130,478                             | 324,373                                       | (44,765,173)          | 14,246,800         |
| Loss for the year                            | -                  | -                                     | -   | (7,058,729)           | (7,058,729)        |
| Other comprehensive income for the year      | -                  | -                                     | 70,331  | -                     | 70,331             |
| Total comprehensive income for the year      | -                  | -                                     | 70,331  | (7,058,729)           | (6,988,398)        |
| Issue of shares pursuant to capital raisings | 3,000,000          | -                                     | -   | -                     | 3,000,000          |
| Capital raising costs                        | (203,856)          | -                                     | -   | -                     | (203,856)          |
| Issue of shares upon option exercises        | 111,666            | -                                     | -   | -                     | 111,666            |
| Vesting of CEO performance rights            | 371,533            | (371,533)                             | -   | -                     | -                  |
| Transfers upon exercise of options/rights    | 8,925              | (8,925)                               | -   | -                     | -                  |
| Share based payments                         | -                  | 195,538                               | -   | -                     | 195,538            |
| Foreign exchange movements                   | -                  | 3,472                                 | -   | -                     | 3,472              |
| <b>Balances as at 30 June 2019</b>           | 58,845,390         | 2,949,030                             | 394,704                                       | (51,823,902)          | 10,365,222         |
| Profit for the year                          | -                  | -                                     | -   | <b>169,293</b>        | <b>169,293</b>     |
| Other comprehensive loss for the year        | -                  | -                                     | <b>(231,158)</b>                              | <b>(318,016)</b>      | <b>(549,174)</b>   |
| Total comprehensive loss for the year        | -                  | -                                     | <b>(231,158)</b>                              | <b>(148,723)</b>      | <b>(379,881)</b>   |
| Issue of shares pursuant to capital raisings | <b>43,383,651</b>  | -                                     | -   | -                     | <b>43,383,651</b>  |
| Capital raising costs                        | <b>(2,270,904)</b> | -                                     | -   | -                     | <b>(2,270,904)</b> |
| Issue of shares upon option exercises        | <b>1,680,340</b>   | -                                     | -   | -                     | <b>1,680,340</b>   |
| Transfers upon exercise of options/rights    | <b>153,520</b>     | <b>(153,520)</b>                      | -   | -                     | -                  |
| Share based payments                         | -                  | <b>702,630</b>                        | -   | -                     | <b>702,630</b>     |
| Foreign exchange movements                   | -                  | <b>(14,330)</b>                       | -   | -                     | <b>(14,330)</b>    |
| <b>Balances as at 30 June 2020</b>           | <b>101,791,997</b> | <b>3,483,810</b>                      | <b>163,546</b>                                | <b>(51,972,625)</b>   | <b>53,466,728</b>  |

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

# STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 30 JUNE 2020

|   |      | CONSOLIDATED      |              |
|---|------|-------------------|--------------|
|   | Note | 2020              | 2019         |
|   |      | \$                | \$           |
| <b>Cash flows from operating activities</b>                 |      |                   |              |
| Receipts from customers                                     |      | 17,093,921        | 10,339,251   |
| Payments to suppliers and employees                         |      | (12,518,776)      | (13,237,653) |
| Interest received   |      | 120,294           | 27,421       |
| Interest and other costs of finance paid                    |      | (31,632)          | (33,061)     |
| Other receipts  |      | 84,604            | -            |
| Net cash (used in) operating activities                     | 25   | 4,748,411         | (2,904,042)  |
| <b>Cash flows from investing activities</b>                 |      |                   |              |
| Payment for plant and equipment                             |      | (77,062)          | (88,580)     |
| Payment for other non-current assets                        |      | (2,397)           | (5,220)      |
| Payment for customer contract performance deposits          |      | -                 | (726,246)    |
| Net cash flows provided by / (used in) investing activities |      | (79,459)          | (820,046)    |
| <b>Cash flows from financing activities</b>                 |      |                   |              |
| Proceeds from borrowings                                    |      | -                 | 621,530      |
| Borrowings repaid   |      | (628,337)         | (35,000)     |
| Payment for finance leases                                  |      | (145,435)         | (13,538)     |
| Proceeds from issues of shares, options etc                 |      | 45,065,495        | 3,111,666    |
| Capital raising cost  |      | (2,390,905)       | (203,856)    |
| Net cash flows provided by financing activities             |      | 41,900,818        | 3,480,802    |
| Net increase/(decrease) in cash and cash equivalents        |      | 46,569,770        | (243,286)    |
| Net foreign exchange difference relating to cash            |      | 36,992            | 6,147        |
| Cash and cash equivalents at beginning of year              |      | 2,267,448         | 2,504,587    |
| <b>Cash and cash equivalents at end of year</b>             | 11   | <b>48,874,210</b> | 2,267,448    |

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2020

### 1. CORPORATE INFORMATION

The financial report of Mach7 Technologies Limited (the “Company” or the “Parent”) for the year ended 30 June 2020 was authorised for issue in accordance with a resolution of the directors on 27 August 2020.

Mach7 Technologies Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Stock 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

#### (a) Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for certain financial assets and liabilities (including derivative instruments) which are measured at fair value

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.

#### (b) 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.

#### (c) Compliance with IFRS

The financial report complies with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

#### (d) New or Amended Accounting Standards and Interpretations Adopted

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

#### AASB 16 LEASES

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

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

## IMPACT OF ADOPTING AASB 16 'LEASES'

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

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

### (e) Accounting Standards and Interpretations Issued - Not Yet Effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 30 June 2020. These are outlined in the tables below.

|                                     |   |
|-------------------------------------|---|
| <b>Standard &amp; title</b>         | AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a business  |
| <b>Nature of change</b>             | <p>This standard amends AASB 3 to clarify the definition of a business, assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.</p> <p>The amendments:</p> <p>(a) clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;</p> <p>(b) remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs;</p> <p>(c) add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;</p> <p>(d) narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; and</p> <p>(e) add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.</p> |
| <b>Application date of standard</b> | 1 January 2020  |
| <b>Application date for Group</b>   | 1 July 2020   |



|   |   |
|---|---|
| <b>Impact on Group financial report</b> | AASB 3 will be used to account for the acquisition of Client Outlook Inc which completed on 13 July 2020. |
|---|---|

|   |  |
|---|--|
| <b>Standard &amp; title</b>             | AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material   |
| <b>Nature of change</b>                 | The amendments refine the definition of material in AASB 101 to clarify the definition of material and its application by improving the wording and aligning the definition across AASB Standards and other publications. The amendment also includes some supporting requirements in AASB 101 in the definition to give it more prominence and clarifies the explanation accompanying the definition of material. |
| <b>Application date of standard</b>     | 1 January 2020   |
| <b>Application date for Group</b>       | 1 July 2020  |
| <b>Impact on Group financial report</b> | Unlikely to be any impact on the reported financial position, performance or cash flows in the financial statements.   |

|   |  |
|---|--|
| <b>Standard &amp; title</b>             | AASB 2020-1 Amendments to Australian Accounting Standards – Classifications of Liabilities as Current or Non-Current   |
| <b>Nature of change</b>                 | This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current.<br><br>For example, the amendments clarify that a liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. The meaning of settlement of a liability is also clarified. |
| <b>Application date of standard</b>     | 1 January 2022   |
| <b>Application date for Group</b>       | 1 July 2022  |
| <b>Impact on Group financial report</b> | Minimal impact.  |

## f) Basis of consolidation

The consolidated financial statements comprise the financial statements of Mach7 Technologies Limited and its subsidiaries (the Group) as at 30 June each year.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and

- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of profit and loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary. Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies.

The financial statements of the subsidiaries are prepared using consistent accounting policies as that of the parent company, Mach7 Technologies Limited. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Investments in subsidiaries held by Mach7 Technologies Limited are accounted for at cost in the parent entity less any impairment charges.

#### **g) Business combinations**

Business combinations are accounted for using the acquisition method. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

#### **h) Foreign currency translation**

##### Functional and presentation currency

The Group's consolidated financial statements are presented in Australian dollars, which is also the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

##### Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities are denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date. All differences arising on settlement or translation of monetary items are taken to the income statement.

##### Translation of group companies' functional currency to presentation currency

As at the reporting date, the assets and liabilities of Mach7 Technologies Inc. and Mach7 Technologies Pte. Ltd are translated into the presentation currency of Mach7 Technologies Limited at the rate of exchange ruling at the reporting date and its statement of profit and loss and other comprehensive income is translated at the weighted average exchange rate for the year. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.



## **i) Segment reporting**

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors. Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

The group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- Nature of the products and services;
- Nature of the production processes;
- Type or class of customer for the products and services;
- Methods used to distribute the products or provide the services; and if applicable
- Nature of the regulatory environment;

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements. Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for “all other segments”.

## **j) Revenue recognition**

The Group recognises revenue as follows:

### Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which

takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised. The Group has two operating segments for which revenue is recognised based on a contract with a customer:

#### (i) Sale of software

Revenue from the sale of software licenses is recognised at the point in time when the customer obtains control of the software, which is generally at the time of delivery. The provision of the software licence is a distinct performance obligation as the customer can derive substantial benefits from the licence on its own when the licence is delivered and installed. Therefore, revenue from the sale of software is recognised when the software is delivered to the customer.

#### (ii) Rendering of professional services

Revenue from a contract to provide professional services, such as implementation, training and annual support services, is recognised over time as the services are rendered. This is because the professional services price is based on either a fixed price or an hourly rate.

### Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

### Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

## **k) Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

### **l) Trade and other receivables**

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for expected credit loss.

Collectability of trade and other receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An allowance for expected credit loss is recognised when there is objective evidence that the Group will not be able to collect the receivable.

### **m) Customer contract assets**

#### Accrued revenue (unbilled receivables)

Customers are billed in accordance with certain milestones which are specified in the contract with the customer. Where revenue has been recognised (for example, software license fees recognised on delivery), but the milestone for payment associated with that revenue is not yet met, the Group recognises an unbilled receivable amount as a contract asset. That amount becomes a trade receivable when it is invoiced.

#### Customer acquisition costs

Customer acquisition costs are capitalised as an asset where such costs are incremental to obtaining a contract with a customer and are expected to be recovered. Customer acquisition costs are amortised over the relevant performance obligations of the contract.

Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained, or which are not otherwise recoverable from a customer are expensed as incurred to profit or loss. Incremental costs of obtaining a contract where the contract term is less than one year is immediately expensed to profit or loss.

### **n) Investments and other financial assets**

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification

is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

#### Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

#### Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses.

The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.





## o) Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if the recognition criteria are met. All other repairs and maintenance are recognised in profit or loss as incurred.

| Asset class                            | Estimated life | Depreciation method |
|--|----------------|---------------------|
| Computer equipment                     | 3-5 years      | Straight line       |
| Furniture, fixtures & office equipment | 5-7 years      | Straight line       |
| Software                               | 2-3 years      | Straight line       |

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

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

## p) Right-of-use assets

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

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

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for

short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

## q) Intangibles

Intangible assets acquired separately are initially measured at cost. Intangible asset acquired in a business combination are initially measured at their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over their useful life of between five and seven years and tested for impairment whenever there is an indication that the intangible asset may be impaired (see note 4 for methodology). The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

### Software development costs

Software development costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost

model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefits from the related projects.

#### **r) Impairment of assets**

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

#### **s) Trade and other payables**

Trade payables and other payables are carried at amortised cost due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. These amounts are unsecured and are usually paid within 30 days of recognition.

#### **t) Contract liabilities**

Contract liabilities represent the Group's obligation to transfer goods or provide services to a customer. Contract liabilities are recognised when a customer pays consideration, or when the consolidated entity recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the goods or provided the services to the customer.

#### **u) Lease liabilities**

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate.

Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

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

#### **v) Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date using a discounted cash flow methodology. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

#### **w) Contributed equity**

Ordinary shares are classified as equity. Incremental

costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## **x) Employee benefits**

### Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

### Superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

### Termination benefits

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of AASB 137 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

### Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expect future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on the applicable corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

## Share-based payment transactions

The Company provides benefits to employees (including key management personnel) in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions). Details of the executive and staff incentive plan are set out in the Remuneration Report.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value measured at grant date takes into account market performance conditions only, and spread over the vesting period during which the employees become unconditionally entitled to the options.

The cost of equity-settled transactions is recognised as an expense, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the statement of profit and loss and other comprehensive income is the product of:

- (i) the grant date fair value of the award;
- (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and
- (iii) the expired portion of the vesting period.

This opinion is formed based on the best available information at balance date.

Equity-settled awards granted by Mach7 Technologies Limited to employees of subsidiaries are recognised in the parent's separate financial statements as an additional investment in the subsidiary with a corresponding credit to equity. As a result, the expense recognised in Mach7 Technologies Limited in relation to equity-settled awards only represents the expense associated with grants to employees of the parent. The expense recognised by the Group is the total expense associated with all such awards.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is

considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are settled. If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

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

If an equity award is cancelled by forfeiture and the vesting conditions have not been met, any expense not yet recognised (i.e. unamortised) for that award, as at the date of forfeiture, is treated as if it had never been recognised. As a result, the expense recognised (i.e. amortised) on such cancelled equity awards are reversed from the accounts effective as at the date of forfeiture. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

## y) Income tax and other taxes

### Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except when:

- The deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- The taxable temporary difference is associated with investments in subsidiaries and the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised, except when:

- The deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- The deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

### Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except when:

- The GST incurred on a purchase of goods and

services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable

- Receivables and payables are stated with the amount of GST included

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

#### **z) Earnings per share**

Basic earnings per share is calculated as net profit or loss attributable to members of the parent and divided by the weighted average number of ordinary shares outstanding during the financial year, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit or loss attributable to members of the parent, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

#### **aa) Current versus non-current classification**

The Group presents assets and liabilities in the statement of financial position based on current and non-current classifications.

An asset is current when it is:

- expected to be realised or intended to be sold or consumed in the normal operating cycle
- held primarily for the purpose of trading
- expected to be realised within twelve months after the reporting period, or
- cash or cash equivalents, unless restricted from being exchanged or used to settle a liability for at least 12 months after the end of the current reporting period

A liability is current when:

- It is expected to be settled within the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the end of the current reporting period

The Group classifies all liabilities not mentioned above as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities in accordance with accounting standards.

#### **ab) Comparatives**

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

#### **ac) Fair value measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

### **3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

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

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group uses different

methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate and foreign exchange. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk, liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Board, through the Audit and Risk Management Committee, reviews and agrees policies for managing each of these risks as summarised below. This includes the setting of limits of concentration risks with any one financial institution, credit rate limits, and future cash flow forecast projections.

## Risk exposure and responses

### Interest rate risk

The Group's exposure to the risk of changes in market

interest rates relates primarily to the income earned on the Group's cash and short-term deposits of various deposit terms.

At 30 June 2020, the Group's cash and cash equivalents comprised of deposits on call and foreign currency accounts.

The Group's policy to manage its interest rate risk, given its dependence on cash and cash equivalents is to keep maturities short generally using 30-90 day term deposit and short-term money market facilities. The Group constantly analyses its interest rate exposure with respect to renewal of existing positions, alternative investment opportunities / facilities and whether to consider a mix of fixed and variable instruments.

At balance date, the Group had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk that are not designated as cash flow hedges (other currencies or non-interest bearing accounts are not included):

|   | CONSOLIDATED      |           |
|---|-------------------|-----------|
|   | 2020              | 2019      |
|   | \$                | \$        |
| <b>Financial assets with interest rate risk</b>           |                   |           |
| Deposits at call (maturity date < 3 months after 30 June) | <b>19,320,232</b> | 1,314,993 |
| Term deposit (maturity date > 3 months after 30 June)     | -                 | -         |
|   | <b>19,320,232</b> | 1,314,993 |

| Sensitivity analysis   | Profitability (post-tax)<br>higher/(lower) |          | Equity (excluding<br>accumulated losses)<br>higher/(lower) |      |
|--|--|----------|--|------|
|  | 2020                                       | 2019     | 2020   | 2019 |
| Judgement of reasonably possible movements:  | \$   | \$       | \$   | \$   |
| <b>Consolidated</b>  |  |          |  |      |
| Interest rate strengthens +0.25% or 25 basis points<br>(2019: +0.25% or 25 basis points) | <b>48,301</b>                              | 3,287    | -  | -    |
| Interest rate weakens -1% or 100 basis points<br>(2019: -1% or 100 basis points)         | <b>(193,202)</b>                           | (13,150) | -  | -    |

The Group believes that the carrying amount approximates fair value because of their short term to maturity.

Significant assumptions used in the interest rate sensitivity analysis include:

- Reasonably possible movements in interest rates were determined based on economic forecaster's expectations.
- The net exposure at balance date is representative of what the Group was and is expecting to be exposed to in the next twelve months from balance date.

#### Foreign currency risk

The Group has transactional currency exposure. Such exposure arises from purchases by the Group

in currencies other than the functional currency and through foreign currency receipts in the form of milestone, profit share or expense reimbursements under the Group's various collaborations. Generally, the Group does not use financial instruments to hedge the foreign exchange exposure.

#### Price risk

The Group does not consider it to have any material exposure to price risk.

The Group's exposure to foreign currency risk at the reporting date that are not designated in cash flow hedges was as follows (all amounts are in AUD):

|  | <b>CONSOLIDATED</b> |           |
|--|---------------------|-----------|
|  | 2020                | 2019      |
|  | \$                  | \$        |
| <b>Financial Assets</b>  |                     |           |
| Cash and cash equivalents – held in USD                        | <b>6,669,506</b>    | 863,306   |
| Cash and cash equivalents – held in SGD                        | <b>11,594</b>       | 31,279    |
| Cash and cash equivalents – held in CAD                        | <b>533,108</b>      | -         |
| Total cash and cash equivalents held in foreign currency       | <b>7,214,208</b>    | 894,585   |
| Accounts receivable – denominated in USD                       | <b>1,527,950</b>    | 1,478,943 |
| Accounts receivable – denominated in SGD                       | <b>20,886</b>       | 107,751   |
| Accounts receivable – denominated in GBP                       | <b>-</b>            | 287,741   |
| Total debtors denominated in foreign currency                  | <b>1,548,835</b>    | 1,874,435 |
| Customer contract assets – denominated in USD                  | <b>2,549,378</b>    | 1,475,886 |
| <b>Financial Liabilities</b>                                   |                     |           |
| Trade and other payables – denominated in USD                  | <b>2,410,118</b>    | 709,589   |
| Trade and other payables – denominated in SGD                  | <b>196,759</b>      | 117,150   |
| Total trade and other payables denominated in foreign currency | <b>2,606,877</b>    | 826,739   |
| Lease liabilities – denominated in USD                         | <b>256,608</b>      | -         |
| Lease liabilities – denominated in SGD                         | <b>63,871</b>       | -         |
| Total Finance leases denominated in foreign currency           | <b>320,479</b>      | -         |
| Net exposure – USD   | <b>8,080,108</b>    | 3,108,546 |
| Net exposure – SGD   | <b>(228,151)</b>    | 21,881    |
| Net exposure – CAD   | <b>533,108</b>      | 287,741   |
| <b>Net exposure</b>  | <b>8,385,065</b>    | 3,418,168 |

Based on the financial instruments held at 30 June 2020, had the Australian dollar strengthened/weakened by 10% against the above currencies, with all other variables held constant, the Group's post-tax loss for the year would have been (reduced)/increased by:

| Sensitivity analysis              | Profitability (post-tax)<br>higher/(lower) |           | Equity (excluding<br>accumulated losses)<br>higher/(lower) |      |
|-----------------------------------|--|-----------|--|------|
|                                   | 2020                                       | 2019      | 2020   | 2019 |
| Consolidated                      | \$   | \$        | \$   | \$   |
| AUD strengthens +10% (2019: +10%) | <b>(762,279)</b>                           | (309,824) | -  | -    |
| AUD weakens -10% (2019: -10%)     | <b>931,674</b>                             | 378,674   | -  | -    |

Management believes the balance date risk exposures are representative of the risk exposure inherent in those financial instruments.

Significant assumptions used in the foreign currency exposure sensitivity analysis include:

- Reasonably possible movements in foreign exchange rates were determined based on a review of the historical movements and economic forecaster's expectations.
- The reasonably possible movement of 10% was calculated by taking the foreign currency spot rate as at balance date, moving this spot rate by 10% and then re-converting the foreign currency into AUD with the "new spot-rate".
- This methodology reflects the translation methodology undertaken by the Group.

#### Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, short term deposits, trade and other receivables and customer contract assets. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

The Group does not hold any credit derivatives to offset its credit exposure.

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trades and other receivables.

Cash deposits are all held with Westpac Banking Corporation.

#### Liquidity risk

The Group's objective is to maintain a balance between continuity of product development utilising an optimal combination of equity funding, finance and operating lease commitments. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities.

The Group manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flows and matching maturity profiles in financial assets and liabilities.

#### *Remaining contractual maturities*

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.





|                                      | Weighted average interest rate | 1 year or less | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Remaining contractual maturities |
|--------------------------------------|--------------------------------|----------------|-----------------------|-----------------------|--------------|----------------------------------|
|                                      | %                              | \$             | \$                    | \$                    | \$           | \$                               |
| <b>Consolidated - 2020</b>           |                                |                |                       |                       |              |                                  |
| <b>Non-derivatives</b>               |                                |                |                       |                       |              |                                  |
| <i>Non-interest bearing</i>          |                                |                |                       |                       |              |                                  |
| Trade and other payables             | -                              | 3,616,500      | -                     | -                     | -            | 3,616,500                        |
| <i>Interest-bearing - fixed rate</i> |                                |                |                       |                       |              |                                  |
| Lease liability                      | 5.1%                           | 141,807        | 148,417               | 11,234                | -            | 301,457                          |
| Total non-derivatives                |                                | 3,758,307      | 148,417               | 11,234                | -            | 3,917,957                        |

#### Consolidated - 2019

##### Non-derivatives

###### *Non-interest bearing*

|                          |   |           |   |   |   |           |
|--------------------------|---|-----------|---|---|---|-----------|
| Trade and other payables | - | 1,112,592 | - | - | - | 1,112,592 |
|--------------------------|---|-----------|---|---|---|-----------|

###### *Interest-bearing - fixed rate*

|      |     |         |   |   |   |         |
|------|-----|---------|---|---|---|---------|
| Loan | 10% | 613,489 | - | - | - | 613,489 |
|------|-----|---------|---|---|---|---------|

|                              |  |           |   |   |   |           |
|------------------------------|--|-----------|---|---|---|-----------|
| <b>Total non-derivatives</b> |  | 1,726,081 | - | - | - | 1,726,081 |
|------------------------------|--|-----------|---|---|---|-----------|

## 4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions

and conditions and may materially affect financial results or the financial position reported in future periods. Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

#### Impairment of goodwill and intangibles with indefinite useful lives

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated.

#### Impairment of intangibles with definite useful lives

The Group assesses impairment of intangibles with definite useful lives at each reporting date by evaluating conditions specific to the Group and to the particular intangibles that may lead to impairment. If an impairment trigger exists, the recoverable amount

of the asset is determined. This involves value in use calculations, which incorporate a number of key estimates and assumptions. The periodic impairment review of intangibles (both with definite and indefinite lives) and goodwill, in the first instance is based upon an assessment of market changes in technology which may have a negative impact on the Groups software technology making it potentially uncompetitive or obsolete. The Directors have determined there are no indicators of impairment present at 30 June 2020.

#### Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

#### Share-based payment transactions

The Group measures the cost of equity-settled share-based payments at fair value at the grant date using the Black-Scholes formula taking into account the terms and conditions upon which the instruments were granted.

#### Employee benefits provision

As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

#### Business combinations

As discussed in note 1, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

#### Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

#### Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

#### Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

## **5. SEGMENT INFORMATION**

### **Description of segments and principal activities**

Mach7 Technologies is a global provider of medical imaging software and services for healthcare institutions, predominantly throughout the United States, Asia-pacific, and the Middle East region. The Group's executive team and Board of Directors monitors the Group's performance both from a product & service perspective and a geographical location perspective. Two reportable operational segments of the Group have been identified

which are (i) sale of software licenses and (ii) provision of professional services including implementation & training, data migration, support and maintenance services.

### Earnings before Interest, Tax, Depreciation & Amortisation (EBITDA)

Segment EBITDA excludes discontinued operations and the effects of significant items of income and expenditure which may have an impact on the quality

of earnings such as restructuring costs, legal expenses, and impairments when the impairment is the result of an isolated, non-recurring event. It also excludes the effects of unrealised gains or losses on financial instruments. Interest income and finance costs are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the group. Likewise, corporate/administration departments are not allocated to a particular operating segment, as results from these departments are reviewed by management separately.

|   | CONSOLIDATED     |             |
|---|------------------|-------------|
|   | 2020             | 2019        |
|   | \$               | \$          |
| <b>Segment EBITDA</b>   |                  |             |
| Software licenses   | 4,174,831        | (1,783,841) |
| Professional services   | 3,928,126        | 1,741,757   |
|   | <b>8,102,957</b> | (42,084)    |
| <b>Reconciliation to net loss after tax</b>                       |                  |             |
| Segment EBITDA  | 8,102,957        | (42,084)    |
| Corporate and administration expenses (not allocated to segments) | (3,478,541)      | (3,524,140) |
| Share based payments expense (not allocated to segments)          | (702,630)        | (195,538)   |
| Restructuring costs (not allocated to segments)                   | -                | (332,923)   |
| Acquisition costs (not allocated to segments)                     | (765,169)        | -           |
| Interest revenue (not allocated to segments)                      | 157,837          | 26,123      |
| <b>EBITDA</b>   | <b>3,314,454</b> | (4,068,562) |
| Depreciation & amortisation expense                               | (3,865,446)      | (3,707,228) |
| Finance cost  | (43,695)         | (46,919)    |
| Income tax benefit  | 763,980          | 763,980     |
| Net loss after tax  | <b>169,293</b>   | (7,058,729) |

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The current period EBITDA has increased by \$140,401 as a result of adopting AASB16.

### Segment assets

Segment assets are measured in the same way as in the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

|  | CONSOLIDATED |            |
|--|--------------|------------|
|  | 2020         | 2019       |
|  | \$           | \$         |
| Software licenses                            | 2,884,203    | 2,536,216  |
| Professional services & maintenance services | 2,079,273    | 1,646,935  |
| Segment assets                               | 4,963,476    | 4,183,151  |
| <b>Reconciliation to group assets</b>        |              |            |
| Segment assets                               | 4,963,476    | 4,183,151  |
| Cash   | 48,874,210   | 2,267,448  |
| Interest receivable                          | 46,285       | 4,381      |
| Prepayments & other receivables              | 303,593      | 226,680    |
| Fixed assets                                 | 181,285      | 187,432    |
| Right-of-use assets                          | 306,959      | -          |
| Intangible assets                            | 6,944,043    | 10,585,026 |
| Investments                                  | -            | 318,016    |
| Total assets per the balance sheet           | 61,619,851   | 17,772,134 |

### Geographical non-current assets

The total of non-current assets, other than intangible assets and investments, broken down by location of the assets, is shown in the table below:

|               | CONSOLIDATED |         |
|---------------|--------------|---------|
|               | 2020         | 2019    |
|               | \$           | \$      |
| United States | 1,145,415    | 889,055 |
| Asia/Pacific  | 107,561      | 46,753  |
|               | 1,252,976    | 935,808 |

### Segment liabilities

Segment liabilities are measured in the same way as in the financial statements. These liabilities are allocated based on the operations of the segment. The group's deferred tax liabilities are not considered to be segment liabilities, and are excluded. In addition, trade payables associated with corporate and administration functions of the Group are also excluded from segment liabilities.

|  | CONSOLIDATED |           |
|--|--------------|-----------|
|  | 2020         | 2019      |
|  | \$           | \$        |
| Software licenses                            | 1,785,658    | 485,187   |
| Professional services & maintenance services | 3,181,628    | 3,656,200 |
| Segment liabilities                          | 4,967,286    | 4,141,387 |
| <b>Reconciliation to group liabilities</b>   |              |           |
| Segment liabilities                          | 4,967,286    | 4,141,387 |
| Trade payables & accruals not allocated      | 1,426,696    | 449,394   |
| Financial liabilities – current              | 320,479      | 613,489   |
| Non-current liabilities                      | 1,438,662    | 2,202,642 |
| Total liabilities per the balance sheet      | 8,153,123    | 7,406,912 |

## 6. CONTRACTS WITH CUSTOMERS

### (a) Disaggregation of revenue from contracts with customers

Mach7 is a provider of medical imaging software and related services. 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:

|  | CONSOLIDATED      |                  |
|--|-------------------|------------------|
|  | 2020              | 2019             |
|  | \$                | \$               |
| Mach7 enterprise imaging platform software license fees <sup>1</sup> | 8,100,447         | 1,585,599        |
| eUnity viewer software license fees <sup>1</sup>                     | 2,283,679         | 1,530,699        |
| Subscription fees (recurring revenue) <sup>2</sup>                   | 517,502           | 222,762          |
| Other  | 14,892            | 11,184           |
| Software licenses (major segment)                                    | 10,916,520        | 3,350,244        |
| Implementation & training services                                   | 1,246,560         | 913,471          |
| Migration services   | 1,177,080         | 1,002,554        |
| Other custom services  | -                 | 3,403            |
| Support and maintenance fees (recurring revenue)                     | 5,522,041         | 4,077,474        |
| Professional services (major segment) <sup>2</sup>                   | 7,945,681         | 5,996,902        |
| <b>Total Segment Revenues</b>  | <b>18,862,201</b> | <b>9,347,146</b> |
| <b>Timing of revenue recognition</b>                                 |                   |                  |
| <sup>1</sup> Revenue recognised at a point in time                   | 10,399,017        | 3,127,483        |
| <sup>2</sup> Revenue recognised over time                            | 8,463,184         | 6,219,663        |
|  | 18,862,201        | 9,347,146        |
| <b>Geographical segment revenues</b>                                 |                   |                  |
| United States  | 10,865,744        | 5,471,097        |
| Middle East  | 1,157,108         | 1,465,464        |
| Asia/Pacific   | 6,787,401         | 2,343,846        |
| Europe and other regions   | 51,948            | 66,739           |
| <b>Total revenue recognised from contracts with customers</b>        | <b>18,862,201</b> | <b>9,347,146</b> |

Revenues of approximately \$5.9m, 31% (2019: \$2m, 22%) are derived from a single external customer, with \$5.5m of these being included in the software licenses segment (2019: \$1.8m).

### (b) Assets and liabilities related to contracts with customers

Refer notes 13 and 19 for current assets and current liabilities (respectively) related to contracts with customers.

During the prior year, the Group has provided a 5% contract deposit in cash to a customer, Hospital Authority of Hong Kong, as security for the due and faithful performance of Mach7's services under the contract. This contract deposit will be held throughout the term of the contract, which ends October 2023.

|  | CONSOLIDATED |         |
|--|--------------|---------|
|  | 2020         | 2019    |
|  | \$           | \$      |
| Non-current asset for contract deposit | 764,732      | 748,377 |

## Revenue recognised in relation to prior year contract liabilities

The following table shows revenue recognised in the current reporting period that relates to carried-forward contract liabilities:

|  | CONSOLIDATED     |           |
|--|------------------|-----------|
|  | 2020             | 2019      |
|  | \$               | \$        |
| <u>Revenue recognised that was included in the contract liability balance at the beginning of the period</u> |                  |           |
| Annual support fees  | <b>2,233,465</b> | 1,794,327 |
| Professional services fees   | <b>1,204,478</b> | 601,916   |
|  | <b>3,437,943</b> | 2,396,243 |

### Revenue recognised from performance obligations satisfied in previous periods

There was no revenue recognised during the year from performance obligations satisfied in previous periods (2019: nil).

## Unsatisfied performance obligations

The following table shows unsatisfied performance obligations resulting from fixed-price professional services and annual maintenance contracts.

|   | CONSOLIDATED      |            |
|---|-------------------|------------|
|   | 2020              | 2019       |
|   | \$                | \$         |
| Contracted annual support fees (recurring) <sup>1</sup>           | <b>8,885,602</b>  | 7,895,406  |
| Contracted professional services fees (non-recurring)             | <b>1,036,137</b>  | 2,778,562  |
| Contracted software fees (non-recurring)                          | <b>195,354</b>    | -          |
|   | <b>10,117,093</b> | 10,673,968 |
| <u>Amounts expected to be recognised as revenues:</u>             |                   |            |
| Contracted annual support fees within one year                    | <b>8,081,627</b>  | 4,076,406  |
| Contracted annual support fees within two years                   | <b>613,736</b>    | 1,243,693  |
| Contracted annual support fees beyond two years                   | <b>190,240</b>    | 2,575,307  |
|   | <b>8,885,602</b>  | 7,895,406  |
| Contracted professional services & software fees within one year  | <b>1,132,263</b>  | 2,004,903  |
| Contracted professional services & software fees within two years | <b>99,228</b>     | 647,265    |
| Contracted professional services & software fees beyond two years | -                 | 126,394    |
|   | <b>1,231,491</b>  | 2,778,562  |

<sup>1</sup>Annual support contracts commence on the first of the month following the customer being live on the Mach7 Platform (or other Mach7 software) and are typically billed to the customer one year in advance.

## 7. OTHER INCOME

|                             | CONSOLIDATED   |         |
|-----------------------------|----------------|---------|
|                             | 2020           | 2019    |
|                             | \$             | \$      |
| <b>Other income</b>         |                |         |
| Interest income             | 162,186        | 27,662  |
| Cost recoveries             | -              | 102,307 |
| Government grants & rebates | 79,697         | 2,664   |
| Foreign exchange gains      | 128,051        | -       |
| Other revenues              | 4,907          | 3,394   |
|                             | <b>374,841</b> | 136,027 |

## 8. EXPENDITURE

|  | CONSOLIDATED      |           |
|--|-------------------|-----------|
|  | 2020              | 2019      |
|  | \$                | \$        |
| <b>Other expenses</b>  |                   |           |
| Allowance for expected credit losses on contracts with customers   | 73,070            | 166,160   |
| Losses (net of any gains during the year) on fixed asset disposals | -                 | 6,147     |
| Other expenses   | 8,292             | 1,673     |
| Foreign exchange losses (net of any gains during the year)         | -                 | 70,504    |
|  | <b>81,362</b>     | 244,484   |
| <b>Depreciation and amortisation</b>                               |                   |           |
| Amortisation of intangible assets                                  | 3,643,380         | 3,640,238 |
| Depreciation of property, plant and equipment                      | 222,066           | 66,990    |
|  | <b>3,865,446</b>  | 3,707,228 |
| <b>Employee salaries, benefit and staff related expenses</b>       |                   |           |
| Salaries, wages, commissions                                       | 7,151,337         | 7,015,223 |
| Bonuses  | 902,216           | -         |
| Employee benefits  | 665,022           | 508,444   |
| Restructuring costs  | 22,039            | 332,923   |
| Defined contribution plan expense (superannuation)                 | 176,545           | 159,353   |
| Annual leave provision movement                                    | 76,540            | (46,814)  |
| Payroll and fringe benefit tax                                     | 533,517           | 504,053   |
| Other employment related expenses                                  | 71,172            | 63,639    |
| Contractors  | 460,994           | 700,517   |
| Share-based payments (note 29)                                     | 702,630           | 195,538   |
|  | <b>10,762,012</b> | 9,432,876 |

## 9. INCOME TAX

### (a) Unused tax losses

The Group has gross tax losses of \$40,625,542 (2019: \$47,082,669) arising in Australia, US, and Singapore that are available indefinitely for offset against future taxable profits of the companies in which the losses arose, subject to satisfying the relevant income tax loss carry forward rules.

### (b) Deferred tax liabilities

The Group has recognised a deferred tax liability of \$1,438,662 (2019: \$2,202,642) as a result of the acquisition of Mach7 Technologies Pte. Ltd in accordance with AASB112 Income Taxes.

|  | CONSOLIDATED     |             |
|--|------------------|-------------|
|  | 2020             | 2019        |
|  | \$               | \$          |
| <b>(c) Income tax expense</b>  |                  |             |
| <i>The major components of income tax expense are:</i>   |                  |             |
| Current income tax on profits  | -                | -           |
| (Increase) / decrease in deferred tax assets   | -                | -           |
| (Decrease) / increase in deferred tax liabilities  | <b>(763,980)</b> | (763,980)   |
| Income tax benefit   | <b>(763,980)</b> | (763,980)   |
| <b>(b) Reconciliation of prima-facie tax payable to income tax expense</b>                     |                  |             |
| Profit/(loss) from continuing operations before income tax expense                             | <b>(594,687)</b> | (7,822,709) |
| Tax benefit at the Australian statutory income tax rate of 27.5% (2019: 27.5%)                 | <b>(163,539)</b> | (2,151,245) |
| <i>Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:</i> |                  |             |
| Share-based payments expense   | <b>193,223</b>   | 53,773      |
| Unrealised foreign exchange (gains)/losses   | <b>(45,823)</b>  | 17,880      |
| Acquisition costs  | <b>210,422</b>   | -           |
| Other non-deductible expenses/non-assessable income  | <b>59,914</b>    | (20,176)    |
| Sub-total  | <b>(258,966)</b> | (2,099,768) |
| Option exercises deductible for tax  | <b>(513,163)</b> | -           |
| Tax losses not recognised  | <b>200,230</b>   | 927,725     |
| Tax losses utilised  | <b>(633,366)</b> | -           |
| Differences in local tax rates   | <b>(72,379)</b>  | 408,063     |
| <b>Income tax expense/(benefit)</b>  | <b>(763,980)</b> | (763,980)   |



## 10. EARNINGS PER SHARE

|   | 2020        | 2019   |
|---|-------------|--------|
| Earnings/(Loss) per share ("EPS") – basic (cents)   | <b>0.1c</b> | (5.1c) |
| Earnings/(Loss) per share ("EPS") – diluted (cents) | <b>0.1c</b> | (5.1c) |

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

|  | 2020               | 2019        |
|--|--------------------|-------------|
|  | \$                 | \$          |
| Net profit/(loss) used in calculating basic and diluted EPS                | <b>169,293</b>     | (7,058,729) |
| <b>Number of Shares</b>  |                    |             |
| Weighted average number of ordinary shares used in calculating basic EPS   | <b>169,760,004</b> | 138,531,632 |
| Adjustments for calculation of diluted EPS                                 | <b>8,396,669</b>   | -           |
| Weighted average number of ordinary shares used in calculating diluted EPS | <b>178,156,673</b> | 138,531,632 |

## 11. CASH AND CASH EQUIVALENTS

|                          | <b>CONSOLIDATED</b> |           |
|--------------------------|---------------------|-----------|
|                          | 2020                | 2019      |
|                          | \$                  | \$        |
| Cash at bank and on hand | <b>29,553,978</b>   | 952,455   |
| Cash on call deposits    | <b>19,320,232</b>   | 1,314,993 |
|                          | <b>48,874,210</b>   | 2,267,448 |

Cash on call deposits are deposits for varying terms from at-call to three months, depending on the immediate cash requirement of the Group, and earn interest at the respective cash on call deposit rates.

## 12. TRADE AND OTHER RECEIVABLES

|   | CONSOLIDATED     |           |
|---|------------------|-----------|
|   | 2020             | 2019      |
|   | \$               | \$        |
| <b>(a) Balances</b>                       |                  |           |
| Trade receivables <sup>1</sup>            | 1,791,286        | 1,999,688 |
| Less allowance for expected credit losses | (245,007)        | (170,283) |
| Other receivables                         | 3,997            | 46,470    |
| GST receivable                            | 40,334           | 6,252     |
| Interest receivable                       | 46,285           | 4,381     |
|   | <b>1,636,895</b> | 1,886,509 |

<sup>1</sup>Trade receivables typically have 30-45 day payment terms

### (b) Impaired balances

The consolidated entity has recognised a loss of \$73,070 (2019: \$166,160) in profit or loss in respect of expected credit losses for the year ended 30 June 2020. The ageing of receivables that are impaired are as follows:

|                |         |         |
|----------------|---------|---------|
| Up to 3 months | 71,494  | -       |
| 3 to 6 months  | -       | 67,400  |
| > 6 months     | 173,512 | 102,883 |

### (c) Movement in allowance for expected credit losses

|  |         |           |
|--|---------|-----------|
| Opening balance                                  | 170,283 | 196,185   |
| Additional provisions recognised during the year | 71,494  | 170,283   |
| Bad debts written off                            | -       | (206,759) |
| FX impact  | 3,229   | 10,574    |
| Closing balance                                  | 245,006 | 170,283   |

### (d) Past due but not impaired

The ageing of the past due but not allowed for are as follows:

|                |                  |           |
|----------------|------------------|-----------|
| Up to 3 months | 1,135,416        | 1,000,870 |
| 3 to 6 months  | -                | 67,400    |
| > 6 months     | 65,962           | 40,819    |
|                | <b>1,201,378</b> | 1,109,089 |

The consolidated entity did not consider a credit risk on the aggregate balances above after reviewing the credit terms of customers based on recent collection practices.

### 13. CUSTOMER CONTRACT ASSETS

|                              | CONSOLIDATED     |           |
|------------------------------|------------------|-----------|
|                              | 2020             | 2019      |
|                              | \$               | \$        |
| Accrued revenue <sup>1</sup> | <b>2,549,378</b> | 1,475,886 |
|                              | <b>2,549,378</b> | 1,475,886 |

<sup>1</sup>Accrued revenue represents software license fees which have been recognised as revenue which are yet to be invoiced to the customer. The customer will be invoiced when certain contract milestones have been met.

Accrued software fee revenue can fluctuate from period to period, as these balances are impacted by the timing of when contracted sales occur and the payment milestones that are specified with each contract.

### 14. OTHER CURRENT ASSETS

|                   | CONSOLIDATED   |         |
|-------------------|----------------|---------|
|                   | 2020           | 2019    |
|                   | \$             | \$      |
| Security deposits | <b>16,550</b>  | 19,259  |
| Deferred expenses | <b>102,563</b> | 129,485 |
| Prepayments       | <b>243,236</b> | 154,696 |
|                   | <b>362,349</b> | 303,440 |

### 15. RIGHT-OF-USE ASSETS

|                               | CONSOLIDATED     |      |
|-------------------------------|------------------|------|
|                               | 2020             | 2019 |
|                               | \$               | \$   |
| Land and buildings            | <b>442,673</b>   | -    |
| Less accumulated depreciation | <b>(135,714)</b> | -    |
|                               | <b>306,959</b>   | -    |

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

## 16. PLANT AND EQUIPMENT

|   | Office<br>Equipment | Computer<br>Hardware &<br>Software | Leasehold<br>Improvements | TOTAL            |
|---|---------------------|------------------------------------|---------------------------|------------------|
| <b>CONSOLIDATED</b>                       | \$                  | \$                                 | \$                        | \$               |
| 2019                                      |                     |                                    |                           |                  |
| Cost                                      | 90,376              | 342,941                            | 7,206                     | 440,523          |
| Accumulated depreciation                  | (32,611)            | (213,453)                          | (7,027)                   | (253,091)        |
| <b>Net carrying value at 30 June 2019</b> | <b>57,765</b>       | <b>129,488</b>                     | <b>179</b>                | <b>187,432</b>   |
| <b>Movement in carrying value</b>         |                     |                                    |                           |                  |
| At 1 July 2018                            | 27,386              | 144,635                            | 2,205                     | 174,226          |
| Additions                                 | 37,564              | 40,920                             | -                         | 78,484           |
| Disposals                                 | -                   | (6,269)                            | -                         | (6,269)          |
| Depreciation expense                      | (8,424)             | (56,463)                           | (2,103)                   | (66,990)         |
| Foreign exchange revaluations             | 1,239               | 6,665                              | 77                        | 7,981            |
| <b>Net carrying value at 30 June 2019</b> | <b>57,765</b>       | <b>129,488</b>                     | <b>179</b>                | <b>187,432</b>   |
| <b>2020</b>                               |                     |                                    |                           |                  |
| Cost                                      | <b>97,220</b>       | <b>415,859</b>                     | <b>7,364</b>              | <b>520,443</b>   |
| Accumulated depreciation                  | <b>(51,737)</b>     | <b>(280,057)</b>                   | <b>(7,364)</b>            | <b>(339,158)</b> |
| <b>Net carrying value at 30 June 2020</b> | <b>45,483</b>       | <b>135,802</b>                     | <b>-</b>                  | <b>181,285</b>   |
| <b>Movement in carrying value</b>         |                     |                                    |                           |                  |
| At 1 July 2019                            | <b>57,765</b>       | <b>129,488</b>                     | <b>179</b>                | <b>187,432</b>   |
| Additions                                 | <b>5,932</b>        | <b>66,481</b>                      | <b>-</b>                  | <b>72,413</b>    |
| Disposals                                 | <b>-</b>            | <b>-</b>                           | <b>-</b>                  | <b>-</b>         |
| Depreciation expense                      | <b>(19,004)</b>     | <b>(64,019)</b>                    | <b>(187)</b>              | <b>(83,210)</b>  |
| Foreign exchange revaluations             | <b>790</b>          | <b>3,852</b>                       | <b>8</b>                  | <b>4,650</b>     |
| <b>Net carrying value at 30 June 2020</b> | <b>45,483</b>       | <b>135,802</b>                     | <b>-</b>                  | <b>181,285</b>   |

## 17. INVESTMENTS

|  | CONSOLIDATED |         |
|--|--------------|---------|
|  | 2020         | 2019    |
|  | \$           | \$      |
| Investment in Teleport Med, LLC (unlisted) | -            | 318,016 |

Teleport Med, LLC (also known as “SirenMD”) is a U.S. based, private unlisted “start-up” company, specialising in the commercialisation of health care coordination technology. The Group made a strategic investment in SirenMD in support of the joint product development program that was running at the time of the investment. Directors have assessed the fair value of this investment, categorised as level 3 within the fair value hierarchy (i.e. use of unobservable inputs for the fair value measurement of the investment). During the year, the Company has recognised a fair value loss of \$318,016 on this investment, with the loss recognised through other comprehensive income.

## 18. INTANGIBLE ASSETS

|                          | Patents   | Customer Contracts | Brand Names | Software Intellectual Property | TOTAL        |
|--------------------------|-----------|--------------------|-------------|--------------------------------|--------------|
| CONSOLIDATED             | \$        | \$                 | \$          | \$                             | \$           |
| 2019                     |           |                    |             |                                |              |
| Cost                     | 1,015,861 | 8,824,764          | 1,557,974   | 14,465,116                     | 25,863,715   |
| Accumulated amortisation | (529,033) | (6,065,247)        | (844,412)   | (7,839,997)                    | (15,278,689) |
| Net carrying value       | 486,828   | 2,759,517          | 713,562     | 6,625,119                      | 10,585,026   |

### Movement in carrying value

|                         |           |             |           |             |             |
|-------------------------|-----------|-------------|-----------|-------------|-------------|
| Balance at 1 July 2018  | 585,760   | 4,336,383   | 903,846   | 8,391,818   | 14,217,807  |
| Amortisation expense    | (106,389) | (1,576,866) | (190,284) | (1,766,699) | (3,640,238) |
| Additions               | 2,595     | -           | -         | -           | 2,595       |
| Foreign exchange        | 4,862     | -           | -         | -           | 4,862       |
| Balance at 30 June 2019 | 486,828   | 2,759,517   | 713,562   | 6,625,119   | 10,585,026  |

### 2020

|                          |                  |                    |                    |                    |                     |
|--------------------------|------------------|--------------------|--------------------|--------------------|---------------------|
| Cost                     | <b>811,832</b>   | <b>8,824,764</b>   | <b>1,557,974</b>   | <b>14,465,116</b>  | <b>25,659,686</b>   |
| Accumulated amortisation | <b>(432,139)</b> | <b>(7,642,114)</b> | <b>(1,034,695)</b> | <b>(9,606,695)</b> | <b>(18,715,643)</b> |
| Net carrying value       | <b>379,693</b>   | <b>1,182,650</b>   | <b>523,279</b>     | <b>4,858,421</b>   | <b>6,944,043</b>    |

### Movement in carrying value

|                         |                  |                    |                  |                    |                    |
|-------------------------|------------------|--------------------|------------------|--------------------|--------------------|
| Balance at 1 July 2019  | <b>486,828</b>   | <b>2,759,517</b>   | <b>713,562</b>   | <b>6,625,119</b>   | <b>10,585,026</b>  |
| Amortisation expense    | <b>(109,533)</b> | <b>(1,576,866)</b> | <b>(190,283)</b> | <b>(1,766,699)</b> | <b>(3,643,381)</b> |
| Additions               | <b>178</b>       | -                  | -                | -                  | <b>178</b>         |
| Foreign exchange        | <b>2,220</b>     | -                  | -                | -                  | <b>2,220</b>       |
| Balance at 30 June 2020 | <b>379,693</b>   | <b>1,182,651</b>   | <b>523,279</b>   | <b>4,858,420</b>   | <b>6,944,043</b>   |

## 19. TRADE AND OTHER PAYABLES

|   | CONSOLIDATED     |           |
|---|------------------|-----------|
|   | 2020             | 2019      |
|   | \$               | \$        |
| Trade creditors <sup>1</sup>                          | <b>1,474,384</b> | 342,809   |
| Accrued expenses <sup>2</sup>                         | <b>908,558</b>   | 128,974   |
| Distributor/reseller commissions payable <sup>3</sup> | <b>90,660</b>    | 78,034    |
| Employee entitlements and related costs <sup>4</sup>  | <b>1,142,898</b> | 551,641   |
| Goods, Services Tax (GST) <sup>1</sup>                | -                | 11,134    |
|   | <b>3,616,500</b> | 1,112,592 |

<sup>1</sup> Trade creditors and GST are non-interest bearing and are normally settled on 30-day terms.

<sup>2</sup> Accrued expenses comprise general operating expenses where costs are incurred but have not yet been invoiced.

<sup>3</sup> Commission will become payable at the time the customer pays their invoice, usually within 30-45 days.

<sup>4</sup> Employee entitlements includes sales commissions, redundancy provisions, withholding taxes, superannuation and other employee related costs

Due to the short-term nature of the above trade and other payables, their carrying value is assumed to approximate their fair value.

## 20. CUSTOMER CONTRACT LIABILITIES

|  | CONSOLIDATED     |           |
|--|------------------|-----------|
|  | 2020             | 2019      |
|  | \$               | \$        |
| Professional service fees received in advance <sup>1</sup>           | <b>496,522</b>   | 1,243,019 |
| Annual support and maintenance fees received in advance <sup>2</sup> | <b>2,280,960</b> | 2,235,170 |
|  | <b>2,777,482</b> | 3,478,189 |

The above deferred revenue balances are expected to be recognised as revenue during the next financial year as the services are performed, and hence the carrying values are assumed to approximate the fair values for these balances. Annual support and maintenance fees received in advance are expected to grow year on year as the Group signs new customer contracts, i.e. every new support contract signed going forward, will add to this balance. Professional service fees received in advance are expected to fluctuate from year to year, as timing of sales orders and cash payment milestones will impact this balance.

## 21. INTEREST-BEARING LIABILITIES

|  | CONSOLIDATED   |         |
|--|----------------|---------|
|  | 2020           | 2019    |
|  | \$             | \$      |
| <b>(a) Current</b>                     |                |         |
| Loan & associated accrued interest     | -              | 613,489 |
|  | <b>133,399</b> | 613,489 |
| <b>(b) Non-current</b>                 |                |         |
| Non-current portion of lease liability | <b>187,080</b> | -       |

## 22. DEFERRED TAX LIABILITY

|  | CONSOLIDATED       |             |
|--|--------------------|-------------|
|  | 2020               | 2019        |
|  | \$                 | \$          |
| Cost   | <b>6,303,066</b>   | 6,303,066   |
| Accumulated amortisation of deferred tax liability | <b>(4,864,404)</b> | (4,100,424) |
|  | <b>1,438,662</b>   | 2,202,642   |
| Carrying value at the beginning of the year        | <b>2,202,642</b>   | 2,966,622   |
| Amortisation credit for the year                   | <b>(763,980)</b>   | (763,980)   |
| Carrying value at the end of the year              | <b>1,438,662</b>   | 2,202,642   |

## 23. CONTRIBUTED EQUITY

| Ordinary shares on issue       | CONSOLIDATED       |             |
|--------------------------------|--------------------|-------------|
|                                | 2020               | 2019        |
|                                | \$                 | \$          |
| Issued and fully paid          | <b>101,791,997</b> | 58,845,390  |
|                                | <b>No.</b>         | No.         |
| Total ordinary shares on issue | <b>217,581,854</b> | 148,642,734 |

| Movements in ordinary shares on issue                              | No. of Ordinary Shares | \$                 |
|--|------------------------|--------------------|
| At 30 June 2018  | 131,707,206            | 55,557,122         |
| Issue of shares pursuant to capital raising, at 20 cents per share | 15,000,000             | 3,000,000          |
| Options exercised during the year                                  | 583,334                | 120,591            |
| Performance rights vested during the year                          | 1,352,194              | 371,533            |
| Costs associated with issue of new shares during the year          | na                     | (203,856)          |
| At 30 June 2019  | 148,642,734            | 58,845,390         |
| Issue of shares pursuant to capital raising, at 62 cents per share | <b>32,258,065</b>      | <b>20,000,000</b>  |
| Costs associated with issue of new shares during the year          | <b>na</b>              | <b>(2,270,904)</b> |
| Options exercised during the year                                  | <b>2,293,334</b>       | <b>677,060</b>     |
| Repayment of loan for employee loan-funded shares                  | <b>na</b>              | <b>1,156,800</b>   |
| Issue of shares pursuant to capital raising, at 68 cents per share | <b>34,387,721</b>      | <b>23,383,651</b>  |
| <b>At 30 June 2020</b>   | <b>217,581,854</b>     | <b>101,791,997</b> |

### Options granted during the year

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date (adjusted for share consolidation), are as follows:

| Grant Date | Expiry Date | Exercise price | Share Price at Grant Date | Expected Volatility | Dividend yield | Risk-free interest | Fair value at grant date |
|------------|-------------|----------------|---------------------------|---------------------|----------------|--------------------|--------------------------|
| 11-10-19   | 01-10-24    | \$0.680        | \$0.68                    | 75.787%             | Nil            | 0.65%              | \$0.447                  |
| 18-11-19   | 17-11-24    | \$0.800        | \$0.70                    | 73.808%             | Nil            | 0.97%              | \$0.370                  |
| 18-11-19   | 17-11-24    | \$0.820        | \$0.70                    | 73.808%             | Nil            | 0.97%              | \$0.367                  |
| 18-11-19   | 17-11-24    | \$0.950        | \$0.70                    | 73.808%             | Nil            | 0.97%              | \$0.347                  |
| 18-11-19   | 17-11-24    | \$1.100        | \$0.70                    | 73.808%             | Nil            | 0.97%              | \$0.326                  |



## Options outstanding

Options do not entitle the holders to voting rights, to participate in dividends or the proceeds on winding up of the Company. Each option entitles the holder to one ordinary share upon exercise of that option upon payment of the relevant exercise price prior to the date of expiry of the option. The following unlisted options to purchase fully paid ordinary shares in the Company were outstanding at balance date:

### 2020

| Grant Date | Expiry Date | Exercise Price | Opening balance  | Number Granted   | Number Exercised   | Number Lapsed    | Closing balance  |
|------------|-------------|----------------|------------------|------------------|--------------------|------------------|------------------|
| 08 Apr 16  | 08 Apr 20   | \$1.00         | 100,000          | -                | -                  | (100,000)        | -                |
| 08 Apr 16  | 08 Apr 21   | \$1.00         | 475,000          | -                | -                  | (375,000)        | 100,000          |
| 09 Dec 16  | 09 Dec 21   | \$1.00         | 125,000          | -                | -                  | (125,000)        | -                |
| 27 Jan 17  | 27 Jan 22   | \$0.41         | 1,840,001        | -                | (286,667)          | (6,667)          | 1,546,667        |
| 03 Nov 17  | 03 Nov 22   | \$0.17         | 2,066,669        | -                | (156,668)          | (13,333)         | 1,896,668        |
| 11 Dec 17  | 11 Dec 22   | \$0.23         | 433,332          | -                | (333,332)          | (100,000)        | -                |
| 12 Jan 18  | 12 Jan 23   | \$0.26         | 13,334           | -                | -                  | -                | 13,334           |
| 03 Apr 18  | 03 Apr 23   | \$0.30         | 150,000          | -                | (40,000)           | (30,000)         | 80,000           |
| 01 Aug 18  | 01 Aug 22   | \$0.195        | 1,370,000        | -                | (1,370,000)        | -                | -                |
| 17 Oct 18  | 17 Oct 23   | \$0.185        | 1,810,000        | -                | (93,333)           | (26,667)         | 1,690,000        |
| 12 Nov 18  | 12 Nov 23   | \$0.244        | 450,000          | -                | -                  | -                | 450,000          |
| 02 May 19  | 02 May 24   | \$0.265        | 50,000           | -                | -                  | -                | 50,000           |
| 11-10-19   | 01-10-24    | \$0.680        | -                | 1,990,000        | -                  | (105,000)        | 1,885,000        |
| 18-11-19   | 17-11-24    | \$0.800        | -                | 250,000          | -                  | -                | 250,000          |
| 18-11-19   | 17-11-24    | \$0.82         | -                | 285,000          | -                  | -                | 285,000          |
| 18-11-19   | 17-11-24    | \$0.95         | -                | 250,000          | -                  | -                | 250,000          |
| 18-11-19   | 17-11-24    | \$1.10         | -                | 250,000          | -                  | -                | 250,000          |
|            |             |                | <b>8,883,336</b> | <b>3,025,000</b> | <b>(2,280,000)</b> | <b>(881,667)</b> | <b>8,746,669</b> |

### 2019

| Grant Date | Expiry Date | Exercise Price | Opening balance  | Number Granted   | Number Exercised | Number Lapsed      | Closing balance  |
|------------|-------------|----------------|------------------|------------------|------------------|--------------------|------------------|
| 08 Apr 16  | 08 Apr 20   | \$1.00         | 100,000          | -                | -                | -                  | 100,000          |
| 08 Apr 16  | 08 Apr 21   | \$1.00         | 475,000          | -                | -                | -                  | 475,000          |
| 09 Dec 16  | 09 Dec 21   | \$1.00         | 125,000          | -                | -                | -                  | 125,000          |
| 27 Jan 17  | 27 Jan 22   | \$0.41         | 2,340,000        | -                | -                | (499,999)          | 1,840,001        |
| 03 Nov 17  | 03 Nov 22   | \$0.17         | 2,600,000        | -                | (83,334)         | (449,997)          | 2,066,669        |
| 11 Dec 17  | 11 Dec 22   | \$0.23         | 733,332          | -                | -                | (300,000)          | 433,332          |
| 12 Jan 18  | 12 Jan 23   | \$0.26         | 40,000           | -                | -                | (26,666)           | 13,334           |
| 03 Apr 18  | 03 Apr 23   | \$0.30         | 150,000          | -                | -                | -                  | 150,000          |
| 01 Aug 18  | 01 Aug 23   | \$0.195        | -                | 3,000,000        | (500,000)        | (1,130,000)        | 1,370,000        |
| 01 Aug 18  | 01 Aug 23   | \$0.40         | -                | 300,000          | -                | (300,000)          | -                |
| 01 Aug 18  | 01 Aug 23   | \$0.50         | -                | 300,000          | -                | (300,000)          | -                |
| 01 Aug 18  | 01 Aug 23   | \$0.60         | -                | 300,000          | -                | (300,000)          | -                |
| 01 Aug 18  | 01 Aug 23   | \$1.00         | -                | 300,000          | -                | (300,000)          | -                |
| 17 Oct 18  | 17 Oct 23   | \$0.185        | -                | 2,310,000        | -                | (500,000)          | 1,810,000        |
| 12 Nov 18  | 12 Nov 23   | \$0.244        | -                | 450,000          | -                | -                  | 450,000          |
| 02 May 19  | 02 May 24   | \$0.265        | -                | 50,000           | -                | -                  | 50,000           |
|            |             |                | <b>6,563,332</b> | <b>7,010,000</b> | <b>(583,334)</b> | <b>(4,106,662)</b> | <b>8,883,336</b> |

## 24. RESERVES

|   | CONSOLIDATED     |                                      |                  |
|---|------------------|--------------------------------------|------------------|
|   | Options Reserve  | Foreign Exchange Translation Reserve | Total Reserves   |
|   | \$               | \$                                   | \$               |
| <b>At 30 June 2018</b>                          | 3,130,478        | 324,373                              | 3,454,851        |
| Share based payments                            | 195,538          | -                                    | 195,538          |
| Foreign exchange on share-based payments        | 3,472            | -                                    | 3,472            |
| Transfers to share capital                      | (380,458)        | -                                    | (380,458)        |
| Foreign exchange on translation of subsidiaries | -                | 70,331                               | 70,331           |
| <b>At 30 June 2019</b>                          | 2,949,030        | 394,704                              | 3,343,734        |
| Share based payments                            | <b>702,630</b>   | -                                    | <b>702,630</b>   |
| Foreign exchange on share-based payments        | <b>(14,330)</b>  | -                                    | <b>(14,330)</b>  |
| Transfers to share capital                      | <b>(153,520)</b> | -                                    | <b>(153,520)</b> |
| Foreign exchange on translation of subsidiaries | -                | <b>(231,158)</b>                     | <b>(231,158)</b> |
| <b>At 30 June 2020</b>                          | <b>3,483,810</b> | <b>163,546</b>                       | <b>3,647,356</b> |

### Nature and purpose of options reserve

The Company has a share-based payment option scheme under which options to subscribe for the Company's shares have been granted to certain executives and other employees.

## 25. CASH FLOW STATEMENT RECONCILIATION

|   | CONSOLIDATED     |                    |
|---|------------------|--------------------|
|   | 2020             | 2019               |
|   | \$               | \$                 |
| Net loss after tax  | 169,293          | (7,058,729)        |
| <b>Adjustments for financing/investing activities, and non-cash items, included in net loss after tax</b> |                  |                    |
| Income tax benefit  | (763,980)        | (763,980)          |
| Amortisation  | 3,643,381        | 3,640,238          |
| Depreciation  | 222,066          | 66,990             |
| Net loss on fixed asset disposals   | -                | 6,147              |
| Share-based payments expense  | 702,630          | 195,538            |
| Net foreign exchange differences relating to cash & non-operating items                                   | (278,023)        | 65,016             |
| Lease interest expense  | 20,100           | -                  |
| <b>Changes in current assets and current liabilities</b>  |                  |                    |
| Decrease/(increase) in trade and other receivables  | 249,614          | (439,226)          |
| Decrease/(increase) in customer contract deposits   | (1,073,492)      | 741,113            |
| Decrease/(increase) in other current assets   | (58,908)         | 23,564             |
| Increase/(decrease) in trade and other payables   | 2,503,908        | (150,834)          |
| Increase/(decrease) in interest payable   | (7,471)          | 7,471              |
| Increase/(decrease) in deferred revenues  | (700,707)        | 762,650            |
| <b>Other adjusting items</b>  | <b>120,000</b>   | -                  |
| <b>Net cash used in operating activities</b>  | <b>4,748,411</b> | <b>(2,904,042)</b> |

## 26. RELATED PARTY DISCLOSURE

### Transaction with related parties

There were no transactions with related parties during the year.

### Key management personnel (KMP)

Details relating to KMP, including remuneration paid, are included in note 27.

### Ultimate parent and subsidiaries

Mach7 Technologies Limited is the ultimate parent of the Group. The consolidated financial statements include the financial statements of Mach7 Technologies Limited and its direct/indirect subsidiaries listed below:

| Name                                     | Country of Incorporation | % of equity interest held by the consolidated entity |      |
|--|--------------------------|--|------|
|  |                          | 2020   | 2019 |
| <i>Direct subsidiaries</i>               |                          |  |      |
| Mach7 Technologies International Pty Ltd | Australia                | 100  | 100  |
| <i>Indirect subsidiaries</i>             |                          |  |      |
| Mach7 Technologies UK Ltd                | UK                       | 100  | 100  |
| Mach7 Technologies Pte Ltd               | Singapore                | 100  | 100  |
| Mach7 Technologies, Inc.                 | U.S.A                    | 100  | 100  |
| Mach7 Technologies Canada Inc.           | Canada                   | 100  | -    |
| Mach7 Technologies Australia Pty Ltd     | Australia                | -  | 100  |
| Mach7 Technologies Pvt Ltd               | India                    | 100  | 100  |

## 27. KEY MANAGEMENT PERSONNEL

### Compensation for Key Management Personnel

|                              | CONSOLIDATED     |           |
|------------------------------|------------------|-----------|
|                              | 2020             | 2019      |
|                              | \$               | \$        |
| Short-term employee benefits | 1,584,838        | 1,614,870 |
| Termination benefits         | -                | 263,811   |
| Post-employment benefits     | 50,526           | 56,528    |
| Equity-based payment         | 544,502          | 247,149   |
|                              | <b>2,179,866</b> | 2,182,358 |

## Shareholdings of key management personnel

Ordinary shares held in Mach7 Technologies Limited by key management personnel during 2020 are shown in table 1:

**Table 1.**

| 30 June 2020 | Balance 1 July 2019 | Granted as remuneration | Vesting of performance rights | On-market purchases/ (sales) | Exercise Options | Balance 30 June 2020 |
|--------------|---------------------|-------------------------|-------------------------------|------------------------------|------------------|----------------------|
| Directors    | 42,399              | -                       | -                             | -                            | -                | <b>42,399</b>        |
| Executives   | 6,072,229           | -                       | -                             | (992,124)                    | -                | <b>5,080,105</b>     |
| <b>Total</b> | <b>6,114,628</b>    | <b>-</b>                | <b>-</b>                      | <b>(992,124)</b>             | <b>-</b>         | <b>5,122,504</b>     |

Details of the Key Management Personnel holdings of ordinary shares in the Company, including their personally related parties, are shown in table 2 below:

| Table 2.                         | Balance 1 July 2019 | Additions     | Disposals          | Balance 30 June 2020 |
|----------------------------------|---------------------|---------------|--------------------|----------------------|
| <b>Directors (non-executive)</b> |                     |               |                    |                      |
| Mr D Chambers                    | 42,399              | -             | -                  | <b>42,399</b>        |
| Mr R Bazzani                     | -                   | -             | -                  | -                    |
| Dr E Siegel                      | -                   | -             | -                  | -                    |
| <b>Executives</b>                |                     |               |                    |                      |
| Mr R Krishnan                    | 5,780,561           | -             | (946,124)          | <b>4,834,437</b>     |
| Mr M Lampron                     | -                   | 29,000        | -                  | <b>29,000</b>        |
| Ms J Pilcher                     | 291,668             | 5,000         | (80,000)           | <b>216,668</b>       |
| <b>Total</b>                     | <b>6,114,628</b>    | <b>34,000</b> | <b>(1,026,124)</b> | <b>5,122,504</b>     |

## Option holdings of Key Management Personnel

| 30 June 2020 | Balance 1 July 2019 | Granted as remuneration | Options exercised | Options forfeited/ lapsed | Balance at 30 June 2020 | Exercisable      | Not exercisable  |
|--------------|---------------------|-------------------------|-------------------|---------------------------|-------------------------|------------------|------------------|
| Directors    | 1,066,666           | 285,000                 | (266,666)         | (350,000)                 | 735,000                 | 150,000          | 585,000          |
| Executives   | 2,430,000           | 1,250,000               | -                 | (100,000)                 | 3,580,000               | 1,546,669        | 2,033,331        |
|              | <b>3,496,666</b>    | <b>1,535,000</b>        | <b>(266,666)</b>  | <b>(450,000)</b>          | <b>4,315,000</b>        | <b>1,696,669</b> | <b>2,618,331</b> |

Details of the key management personnel holdings of options to acquire ordinary shares in the Company, including their personally related parties, are shown in the following table:

| Directors/ Executives            | Balance<br>1 July 2019 | Options<br>granted | Options<br>forfeited/<br>lapsed | Options<br>exercised | Balance<br>30 June 2020 |
|----------------------------------|------------------------|--------------------|---------------------------------|----------------------|-------------------------|
| <b>Directors (non-executive)</b> |                        |                    |                                 |                      |                         |
| Mr D Chambers                    | 225,000                | 35,000             | -                               | -                    | <b>260,000</b>          |
| Dr E Siegel                      | 225,000                | 25,000             | -                               | -                    | <b>250,000</b>          |
| Mr R Bazzani                     | -                      | 225,000            | -                               | -                    | <b>225,000</b>          |
| Mr D Lim                         | 308,333                | -                  | (175,000)                       | (133,333)            | -                       |
| Mr W Spittle                     | 308,333                | -                  | (175,000)                       | (133,333)            | -                       |
| <b>Executives</b>                |                        |                    |                                 |                      |                         |
| Mr R Krishnan                    | 765,000                | -                  | -                               | -                    | <b>765,000</b>          |
| Mr M Lampron                     | 700,000                | 750,000            | -                               | -                    | <b>1,450,000</b>        |
| Ms J Pilcher                     | 965,000                | 500,000            | (100,000)                       | -                    | <b>1,365,000</b>        |
|                                  | <b>3,496,666</b>       | <b>1,535,000</b>   | <b>(450,000)</b>                | <b>(266,666)</b>     | <b>4,315,000</b>        |

Share options held by key management personnel under the Long-Term Incentive Plan (note 27) to purchase ordinary shares have the following expiry dates and exercise prices:

| Issue date | Expiry date | Exercise price | 2020             | 2019      |
|------------|-------------|----------------|------------------|-----------|
|            |             |                | Number           | Number    |
| 08-Apr-16  | 08-Apr-21   | \$1.000        | <b>100,000</b>   | 475,000   |
| 08-Apr-16  | 08-Apr-20   | \$1.000        | -                | 100,000   |
| 09-Dec-16  | 09-Dec-21   | \$1.000        | -                | 125,000   |
| 27-Jan-17  | 27-Jan-22   | \$0.410        | <b>680,000</b>   | 680,000   |
| 03-Nov-17  | 03-Nov-22   | \$0.170        | <b>750,000</b>   | 750,000   |
| 11-Dec-17  | 11-Dec-22   | \$0.230        | -                | 433,332   |
| 01-Aug-18  | 01-Aug-23   | \$0.195        | -                | 1,370,000 |
| 17-Oct-18  | 17-Oct-12   | \$0.185        | <b>800,000</b>   | 800,000   |
| 12-Nov-18  | 12-Nov-23   | \$0.244        | <b>450,000</b>   | 450,000   |
| 11-Oct-19  | 1-Oct-24    | \$0.680        | <b>500,000</b>   | -         |
| 18-Nov-19  | 17-Nov-24   | \$0.820        | <b>285,000</b>   | -         |
| 18-Nov-19  | 17-Nov-24   | \$0.800        | <b>250,000</b>   | -         |
| 18-Nov-19  | 17-Nov-24   | \$0.950        | <b>250,000</b>   | -         |
| 18-Nov-19  | 17-Nov-24   | \$1.100        | <b>250,000</b>   | -         |
|            |             |                | <b>4,315,000</b> | 5,183,332 |

## 28. SHARE-BASED PAYMENT PLAN

### Recognised share-based payment expenses

The expense recognised from employee services received during the year is shown in the table below:

|   | CONSOLIDATED |         |
|---|--------------|---------|
|   | 2020         | 2019    |
|   | \$           | \$      |
| Expenses arising from equity-settled share-based payment transactions | 702,630      | 195,538 |

### Types of share-based payment plans

*Employee Share Option Plan, 'ESOP'*

A Long-Term Incentive Plan has been established and approved by shareholders where Mach7 Technologies Limited may, at the discretion of the Board, grant options over the ordinary shares of Mach7 Technologies Limited to Directors, Executives, contractors and employees of the consolidated entity. The options, issued for nil consideration, are exercisable any time two to three years after the issue date and expire four to five years after the issue date.

The exercise of the options is not subject to any performance conditions other than the employee remaining in the employ of the Company at the date of exercise. The options cannot be transferred and will not be quoted on the ASX.

The following table illustrates the number and weighted average exercise price of, and movements in, share options issued during the year:

|                              | 2020              |                                 | 2019              |                                 |
|------------------------------|-------------------|---------------------------------|-------------------|---------------------------------|
|                              | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| Balance at beginning of year | 8,883,336         | \$0.302                         | 6,563,332         | \$0.354                         |
| - granted                    | 3,025,000         | \$0.760                         | 7,010,000         | \$0.269                         |
| - exercised                  | 881,667           | \$0.227                         | (583,334)         | \$0.170                         |
| - forfeited/lapsed           | 2,280,000         | \$0.809                         | (4,106,662)       | \$0.346                         |
| Balance at end of year       | 8,746,669         | \$0.174                         | 8,883,336         | \$0.302                         |
| Exercisable at end of year   | 3,573,349         | \$0.303                         | 4,270,026         | \$0.387                         |

### Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 30 June 2020 is 3 years 1 month (2019: 3 years 4 months).

### Range of exercise price

The range of exercise prices for options outstanding at end of the year was \$0.17 - \$1.10 (2019: \$0.17 - \$1.00).

### Weighted average fair value

The weighted average fair value of options granted during the year was \$0.415 (2019: \$0.11).

### Option pricing model

*Equity-settled transactions*

The fair value of the equity-settled share options granted under the ESOP is estimated as at the date of grant using a Black-Scholes option pricing model taking into account the terms and conditions upon which the option was granted. The model takes into account the share price volatilities and co-variances of the Company, and excludes the

impact of any estimated forfeitures related to the service-based vesting conditions on the basis that management has assessed the forfeiture rate to be zero.

### Options held as at the end of the reporting period

The following table summarises information about options held as at 30 June 2020:

| Grant Date         | Expiry Date | Vesting Date | Exercise Price | Balance          |
|--------------------|-------------|--------------|----------------|------------------|
| 08-04-16           | 08-04-21    | 08-04-18     | \$1.000        | 100,000          |
| 27-01-17           | 27-01-22    | 27-01-18     | \$0.410        | 520,008          |
| 27-01-17           | 27-01-22    | 27-01-19     | \$0.410        | 513,335          |
| 27-01-17           | 27-01-22    | 27-01-20     | \$0.410        | 513,324          |
| 03-11-17           | 03-11-22    | 03-11-18     | \$0.170        | 635,013          |
| 03-11-17           | 03-11-22    | 03-11-19     | \$0.170        | 601,666          |
| 03-11-17           | 03-11-22    | 03-11-20     | \$0.170        | 659,989          |
| 12-01-18           | 12-01-23    | 12-01-19     | \$0.260        | 13,334           |
| 03-04-18           | 03-04-23    | Various*     | \$0.300        | 80,000           |
| 17-10-18           | 17-10-23    | 17-10-19     | \$0.185        | 510,002          |
| 17-10-18           | 17-10-23    | 17-10-20     | \$0.185        | 590,002          |
| 17-10-18           | 17-10-23    | 17-10-21     | \$0.185        | 589,996          |
| 12-11-18           | 12-11-23    | 12-11-19     | \$0.244        | 150,000          |
| 12-11-18           | 12-11-23    | 12-11-20     | \$0.244        | 150,000          |
| 12-11-18           | 12-11-23    | 12-11-21     | \$0.244        | 150,000          |
| 02-05-19           | 02-05-24    | 02-05-20     | \$0.265        | 16,667           |
| 02-05-19           | 02-05-24    | 02-05-21     | \$0.265        | 16,667           |
| 02-05-19           | 02-05-24    | 02-05-22     | \$0.265        | 16,666           |
| 11-10-19           | 01-10-24    | 01-10-20     | \$0.680        | 628,327          |
| 11-10-19           | 01-10-24    | 01-10-21     | \$0.680        | 628,327          |
| 11-10-19           | 01-10-24    | 01-10-22     | \$0.680        | 628,346          |
| 18-11-19           | 17-11-24    | 01-07-20     | \$0.800        | 250,000          |
| 18-11-19           | 17-11-24    | 18-11-20     | \$0.820        | 20,000           |
| 18-11-19           | 17-11-24    | 01-01-21     | \$0.820        | 75,000           |
| 18-11-19           | 17-11-24    | 01-07-21     | \$0.950        | 250,000          |
| 18-11-19           | 17-11-24    | 18-11-21     | \$0.820        | 20,000           |
| 18-11-19           | 17-11-24    | 01-01-22     | \$0.820        | 75,000           |
| 18-11-19           | 17-11-24    | 01-07-22     | \$1.100        | 250,000          |
| 18-11-19           | 17-11-24    | 18-11-22     | \$0.820        | 20,000           |
| 18-11-19           | 17-11-24    | 01-01-23     | \$0.820        | 75,000           |
| <b>Grand Total</b> |             |              |                | <b>8,746,669</b> |

\*Options vest on this day/month over three years in three equal tranches.

## 29. EXPENDITURE COMMITMENTS

|  | CONSOLIDATED |         |
|--|--------------|---------|
|  | 2020         | 2019    |
|  | \$           | \$      |
| <b>Lease expenditure commitments</b>                               |              |         |
| <i>Operating leases (non-cancellable) – minimum lease payments</i> |              |         |
| – not later than one year  | -            | 195,737 |
| – later than one year and not later than five years                | -            | 413,478 |
| Aggregate lease expenditure contracted for at reporting date       | -            | 609,215 |

Lease expenditure commitments are in respect of the lease of office premises in the U.S. and Malaysia. As at 1 July 2019, the Company has adopted AAS16 Leases which has meant the above lease commitments have been capitalised on the balance sheet from this date.

### Capital expenditure commitments

There are no capital expenditure commitments as at 30 June 2020 (2019: nil).

## 30. CONTINGENT ASSETS AND LIABILITIES

The Group has no contingent liabilities or contingent assets at 30 June 2020 (2019: none).

## 31. AUDITORS' REMUNERATION

During the financial year the following fees were paid or payable for services provided by RSM Australia Partners, the auditor of the parent company, and unrelated firms:

|   | CONSOLIDATED   |        |
|---|----------------|--------|
|   | 2020           | 2019   |
|   | \$             | \$     |
| Amounts received or due and receivable by the auditor of the company for: |                |        |
| <i>Audit services – RSM Australia Partners</i>                            |                |        |
| Audit or review of the financial statements                               | <b>101,200</b> | 58,813 |
| <i>Other services – RSM Australia Partners</i>                            |                |        |
| Taxation services   | <b>5,891</b>   | 27,545 |
|   | <b>107,091</b> | 86,358 |
| <i>Audit services – unrelated firms</i>                                   |                |        |
| Audit or review of the financial statements                               | -              | 59,740 |



## 32. PARENT ENTITY DISCLOSURE

|   | PARENT              |              |
|---|---------------------|--------------|
|   | 2020                | 2019         |
|   | \$                  | \$           |
| Current assets  | <b>43,728,576</b>   | 1,848,362    |
| Non-current assets  | <b>28,580,189</b>   | 28,979,635   |
| <b>TOTAL ASSETS</b>   | <b>72,308,765</b>   | 30,827,997   |
| Current liabilities   | <b>990,706</b>      | 939,519      |
| Non-current liabilities   | -                   | -            |
| <b>TOTAL LIABILITIES</b>  | <b>990,706</b>      | 939,519      |
| Issued capital  | <b>101,791,997</b>  | 58,845,391   |
| Reserves  | <b>3,483,810</b>    | 2,949,030    |
| Retained earnings   | <b>(33,957,748)</b> | (31,905,942) |
| <b>TOTAL EQUITY</b>   | <b>71,318,059</b>   | 29,888,479   |
| <b>Total comprehensive income/(loss) attributable to equity</b> | <b>(2,051,806)</b>  | (314,371)    |

## 33. SUBSEQUENT EVENTS

On 13 July 2020, the Company acquired 100% of the issued share capital of Client Outlook Inc. ("Client Outlook"), a business specialising in enterprise viewing software for the healthcare industry. Refer note 34 for further information on this acquisition.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the U.S. Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

The Company is not aware of any other subsequent events that have occurred since 30 June 2020 that may materially affect the financial information in this report.

## 34. BUSINESS COMBINATIONS

On 13 July 2020, the Company acquired all the issued share capital of Client Outlook Inc. ("Client Outlook"), a business specialising in enterprise viewing software for the healthcare industry. Prior to the acquisition, the Company was a reseller for Client Outlook's software globally.

The Company has paid (in cash) an enterprise value of \$40,945,207 (CA\$38,500,000) for the acquisition of Client Outlook. In addition to the enterprise value, the Company will pay (or receive a credit for to the extent they are negative) any net debt and working capital balances in the business as at 13 July 2020. The amount of net debt and working capital is still being finalised at the date of this report and is currently estimated to be \$1,533,241, taking the total estimated consideration to \$42,478,448 ("Consideration"). In addition to the Consideration, the Company has incurred \$765,169 of acquisition related expenses during the current year which have been included in the statement of profit and loss for the current year.

The preliminary amounts recorded as a result of the business combination are shown in the table below. The Company has 12 months from the date of acquisition to finalise these amounts.

|  | Note | Preliminary Values<br>2020 |
|--|------|----------------------------|
|  |      | \$                         |
| <b>Purchase consideration</b>  |      |                            |
| Cash consideration paid/payable to vendors                           |      | 42,478,449                 |
| Fair value and carrying value of net intangible assets acquired      |      |                            |
| Intellectual Property and Goodwill <sup>1</sup>                      |      | 48,450,148                 |
| Deferred tax liability <sup>2</sup>                                  |      | (8,542,899)                |
| <b>Net intangible assets and associated deferred tax liability</b>   |      | <b>39,907,249</b>          |
| <b>Fair value and carrying value of net tangible assets acquired</b> |      |                            |
| Cash and cash equivalents  |      | 1,104,176                  |
| Trade and other receivables  |      | 4,201,733                  |
| Deposits and prepayments   |      | 89,437                     |
| Fixed assets   |      | 347,881                    |
| Future income tax benefit  |      | 544,167                    |
| Trade payables   |      | (1,736,148)                |
| Deferred revenue   |      | (1,253,368)                |
| Bank loans   |      | (994,864)                  |
| Other liabilities  |      | (6,461)                    |
| <b>Net tangible assets acquired</b>                                  |      | <b>2,296,553</b>           |
| Foreign currency differences arising on acquisition                  |      | 274,647                    |
| <b>Net assets acquired (fair value)</b>                              |      | <b>42,478,449</b>          |

<sup>1</sup> The Company is currently finalising the purchase price allocation amongst intellectual property and goodwill.

<sup>2</sup> A deferred tax liability has been recorded in accordance with AASB 112 representing the future tax payable at local tax rates on the future revenues the intangible assets may generate.

## DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Mach7 Technologies Limited, I state that:

1) In the opinion of the Directors:

(a) The financial statements, notes, and the additional disclosures included in the Directors' Report and designated as audited, of the Company are in accordance with the Corporations Act 2001, including:

- I. Giving a true and fair view of the Company's financial position as at 30 June 2020 and of its performance for the year ended on that date; and
- II. Complying with Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001; and

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

(c) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial period ending 30 June 2020.

On behalf of the Board



David Chambers  
Chairman  
Signed on 27 August 2020

**RSM Australia Partners**

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## INDEPENDENT AUDITOR'S REPORT To the Members of Mach7 Technologies Limited

### Opinion

We have audited the financial report of Mach7 Technologies Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We 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 report.

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Mach7 Technologies Limited

**THE POWER OF BEING UNDERSTOOD**  
AUDIT | TAX | CONSULTING

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation



### Key Audit Matters (Continued)

| Key Audit Matter  | How our audit addressed this matter  |
|---|--|
| <p><b>Recognition of Revenue</b><br/>Refer to Note 6 in the financial statements</p> <p>Revenue recognition was considered a key audit matter, as it involves significant management estimates and judgements.</p> <p>The Group's revenue is derived from the sale of software licenses and provision of professional services e.g. implementation &amp; training, migration, support and maintenance services.</p> <p>Revenue in respect of some of the service contracts is based on percentage of completion, which involved management's estimate and judgement.</p>  | <p>Our audit procedures in relation to the recognition of revenue included, among others:</p> <ul style="list-style-type: none"> <li>• Assessing whether the Group's revenue recognition policies were in compliance with AASB 15 <i>Revenue from Contracts with Customers</i>;</li> <li>• For a sample of revenue transactions, we substantiated transactions by agreeing to supporting documentation, including contracts with customers;</li> <li>• For a sample of revenue transactions that were recognised on a percentage of completion basis, our testing included: <ul style="list-style-type: none"> <li>○ Agreeing the contract price to customer contracts; and</li> <li>○ Assessing the reasonableness of management's estimated percentage of completion for services delivered up to 30 June 2020.</li> </ul> </li> </ul> |
| <p><b>Acquisition accounting of Client Outlook Inc.</b><br/>Refer to Note 34 in the financial statements</p> <p>On 13 July 2020 the Company acquired all the issued share capital of Client Outlook Inc. ("Client Outlook"), a business specialising in enterprise viewing software for the healthcare industry. Management determined the acquisition to be a business combination under AASB 3 <i>Business Combinations</i>.</p> <p>The terms of the agreement involved the transfer of cash consideration. The purchase price is allocated between the acquired assets and liabilities, at their respective fair values, with any difference recognised as goodwill on consolidation.</p> <p>Management has provisionally accounted for the fair value of net assets acquired, including the value of intellectual property and goodwill acquired. As at date of this audit report, this assessment is not complete.</p> <p>This accounting for this acquisition is considered to be a Key Audit Matter as it involved the exercise of judgement in relation to the fair value of acquired assets and liabilities and the material nature of the arising goodwill.</p> | <p>Our audit procedures in relation to the acquisition of Client Outlook Inc. included:</p> <ul style="list-style-type: none"> <li>• Reviewing the share sale agreement and understanding the nature of the transaction to confirm that it met the definition of Business Combination under AASB 3;</li> <li>• Tracing the values for the consideration paid to the share sale agreement and to bank statements;</li> <li>• Assessing management's determination of the fair value of the consideration paid and net assets acquired; and</li> <li>• Reviewing the disclosures in Note 34 to the financial statements to assess compliance with the disclosure requirements of AASB 3.</li> </ul>  |

## **Other Information**

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of the Directors for the Financial Report**

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## **Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [https://www.auasb.gov.au/auditors\\_responsibilities/ar2.pdf](https://www.auasb.gov.au/auditors_responsibilities/ar2.pdf)  
This description forms part of our auditor's report.

## **Report on the Remuneration Report**

### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Mach7 Technologies Limited, for the year ended 30 June 2020, complies with section 300A of the Corporations Act 2001.



## Report on the Remuneration Report (Continued)

### *Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**RSM AUSTRALIA PARTNERS**

**R B MIANO**  
Partner

Dated: 27 August 2020  
Melbourne, Victoria

# CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2020

The Company's Directors and management are committed to conducting the business of the Group's business in an ethical manner and in accordance with the highest standards of corporate governance. The Company has adopted and substantially complies with the *ASX Corporate Governance Principles and Recommendations* (Third Edition) **(Recommendations)** to the extent appropriate to the size and nature of the Group's operations.

The Company has prepared a statement which sets out the corporate governance practices that were in operation throughout the financial year for the Company, identifies any Recommendations that have not been followed, and provides reasons for not following such Recommendations **(Corporate Governance Statement)**.

In accordance with ASX Listing Rules 4.10.3 and 4.7.4, the Corporate Governance Statement will be available for review on the Company's website ([www.mach7t.com](http://www.mach7t.com)), and will be lodged together with an Appendix 4G with ASX at the same time that this Annual Report is lodged with ASX.

The Appendix 4G will particularise each Recommendation that needs to be reported against by the Company, and will provide shareholders with information as to where relevant governance disclosures can be found.

The Company's corporate governance policies and charters are all available on its website [www.mach7t.com](http://www.mach7t.com).



# ADDITIONAL SHAREHOLDER INFORMATION

## AS AT 14 SEPTEMBER 2020 (REPORTING DATE)

In accordance with ASX Listing Rule 4.10, the Company provides the following information to shareholders not elsewhere disclosed in this Annual Report. The information provided is current as at 14 September 2020 (Reporting Date).

### QUOTED EQUITY SECURITIES – ORDINARY SHARES

As at the Reporting Date, the Company had a total of 234,376,702 fully paid ordinary shares on issue. The Company's shares are quoted on the ASX, and form the

only class of securities on issue in the Company that is quoted on the ASX, and that carries voting rights.

At a general meeting of the Company, every holder of ordinary shares is entitled to vote in person or by proxy or attorney; and on a show of hands every person present who is a member has one vote, and on a poll every person present in person or by proxy or attorney has one vote for each ordinary share he/she holds.

#### Range of holdings

An analysis of the number of shareholders in the Company by the size of their holdings is as follows:

| Range                | Ordinary shares    | %              | No. of holders | %             |
|----------------------|--------------------|----------------|----------------|---------------|
| 100,001 and Over     | 178,458,211        | 76.14          | 166            | 3.00          |
| 10,001 to 100,000    | 41,840,087         | 17.85          | 1,468          | 26.50         |
| 5,001 to 10,000      | 7,799,033          | 3.33           | 1,018          | 18.38         |
| 1,001 to 5,000       | 5,738,158          | 2.45           | 2,041          | 36.85         |
| 1 to 1,000           | 541,213            | 0.23           | 846            | 15.27         |
| <b>Total</b>         | <b>234,376,702</b> | <b>100.00%</b> | <b>5,539</b>   | <b>100.0%</b> |
| Unmarketable parcels | 26,384             |                | 206            |               |

#### Unmarketable parcels

The number of shareholders holding less than a marketable parcel of shares as at the Reporting Date (based on a closing price of \$1.00 per share) was 206.

#### Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act as at the Reporting Date are:

| Registered Holder   | Number of shares held | % of total issued share capital |
|---|-----------------------|---------------------------------|
| Sandhurst Trustees Ltd <JMFG Consol. A/C>                                     | 26,238,486            | 14.35%                          |
| JP Morgan Nominees Australia Pty Ltd<br><Clime Investment Management Limited> | 19,810,832            | 9.11%                           |
| National Nominees Ltd ACF Australian Ethical Investment                       | 11,857,136            | 5.45                            |

## Top 20 shareholders

The names of the twenty largest holders of ordinary shares as at the Reporting Date are listed below:

| Rank | Name   | No. of shares      | %             |
|------|--|--------------------|---------------|
| 1    | SANDHURST TRUSTEES LTD                               | 38,028,328         | 16.23         |
| 2    | J P MORGAN NOMINEES AUSTRALIA PTY LIMITED            | 26,700,348         | 11.39         |
| 3    | NATIONAL NOMINEES LIMITED                            | 20,624,535         | 8.80          |
| 4    | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED            | 14,612,943         | 6.23          |
| 5    | UBS NOMINEES PTY LTD                                 | 6,024,080          | 2.57          |
| 6    | PT DWI SATRYA UTAMA                                  | 4,392,959          | 1.87          |
| 7    | PERCO GROUP PTY LTD                                  | 4,080,000          | 1.74          |
| 8    | BPNT PTY LTD   | 4,037,009          | 1.72          |
| 9    | CITICORP NOMINEES PTY LIMITED                        | 3,904,616          | 1.67          |
| 10   | PADMALWAR PRAKASH                                    | 3,569,921          | 1.52          |
| 11   | MR RAVINDRAN KRISHNAN                                | 3,395,416          | 1.45          |
| 12   | CHEW & PARTNERS (IMPORT & EXPORT) PTE LTD            | 2,900,074          | 1.24          |
| 13   | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA   | 2,234,580          | 0.95          |
| 14   | ALBERT LIONG PAK-FAI                                 | 2,044,189          | 0.87          |
| 15   | TY WEBB PTY LTD                                      | 1,339,444          | 0.57          |
| 16   | BNP PARIBAS NOMS PTY LTD <DRP>                       | 1,324,898          | 0.57          |
| 17   | BNP PARIBAS NOMS PTY LTD <UOB KAY HIAN PRIV LTD DRP> | 1,235,314          | 0.53          |
| 18   | AUSTRALIAN EXECUTOR TRUSTEES LIMITED                 | 1,114,599          | 0.48          |
| 19   | MOGGS CREEK PTY LTD                                  | 1,000,000          | 0.43          |
| 20   | ANTONIUS RUDY SUGIARTO                               | 967,113            | 0.41          |
|      | <b>Total</b>   | <b>143,530,366</b> | <b>61.24</b>  |
|      | <b>Balance of register</b>                           | <b>90,846,336</b>  | <b>38.76</b>  |
|      | <b>Grand total</b>                                   | <b>234,376,702</b> | <b>100.00</b> |

## UNQUOTED EQUITY SECURITIES

The Company has a two classes of unquoted equity securities on issue, which are described in detail below. None of the unquoted equity securities carry any voting rights. However, any underlying shares issued upon the exercise, vesting or conversion of the unquoted equity securities will carry equal voting rights with the other shares on issue in the Company.

## Options

The Company has 8,746,669 unquoted Options on issue as described below. All Options were issued under the Company's Long Term Incentive Plan. Once vested, each Option is exercisable into one ordinary share in the Company upon payment of an exercise price.

An analysis of the number of Option holders of each of class of Options by the size of their holdings (subject to rounding) is as follows:

| Range             | No. of Options   | %          | No. of holders | %          |
|-------------------|------------------|------------|----------------|------------|
| 100,001 and Over  | 7,098,333        | 81.15      | 17             | 32.69      |
| 10,001 to 100,000 | 1,641,669        | 18.77      | 34             | 65.38      |
| 5,001 to 10,000   | 6,667            | 0.08       | 1              | 1.93       |
| 1,001 to 5,000    | -                | -          | -              | -          |
| 1 to 1,000        | -                | -          | -              | -          |
| <b>Total</b>      | <b>8,746,669</b> | <b>100</b> | <b>52</b>      | <b>100</b> |

## STOCK EXCHANGE LISTING

The Company's ordinary shares are quoted on the Australian Securities Exchange (ASX: M7T).

## ON-MARKET BUYBACK

The Company is not currently conducting an on-market buy-back.

No securities were purchased on-market during the reporting period under or for the purposes of an employee incentive scheme or to satisfy the entitlements of the holders of options or other rights to acquire securities granted under an employee incentive scheme.

## ITEM 7 ISSUES OF SECURITIES

There are no issues of securities approved for the purposes of item 7 of section 611 of the Corporations Act which have not yet been completed.

# CORPORATE DIRECTORY

**Ultimate Parent Company:** Mach7 Technologies Limited

**ABN:** 26 007 817 192

**Website:** [www.mach7t.com](http://www.mach7t.com)

## Directors and Company Secretary

Mr Michael Lampron (CEO, Managing Director)

Mr David Chambers (Chairman)

Mr Robert Bazzani (Non-Executive Director)

Dr Eliot Siegel (Non-Executive Director)

Ms Jennifer Pilcher (Company Secretary)

## Registered Office

Level 2, 20 Collins St, Melbourne, VIC 3000

Telephone: +61 (0)3 9013 7348

## Principal Place of Business

120 Kimball Avenue, Suite 210

South Burlington, VT 05403, United States

T: +1 802.861.7745

## Share Registrar

Link Market Services Limited

Tower 4, 727 Collins Street, Melbourne, VIC 3008

Telephone: 1300 554 474

Website: [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

## Stock Exchange Listing

Australian Securities Exchange (ASX)

Issuer Code: M7T

## Solicitors

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## Auditors

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